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## **Sinco Pharmaceuticals Holdings Limited**

### **兴科蓉医药控股有限公司**

*(Incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 6833)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **FINANCIAL HIGHLIGHTS**

- 1) Revenue of the Group increased by 11.8% or RMB268.6 million to RMB2,540.1 million for the Reporting Period (2022: RMB2,271.5 million), among which revenue from sales of human albumin solution increased by approximately RMB249.8 million, mainly benefited from the increase in sales volume.
- 2) Gross profit of the Group increased by RMB17.4 million to RMB323.3 million for the Reporting Period (2022: RMB305.9 million), while gross profit margin decreased from 13.5% in 2022 to 12.7% for the Reporting Period. The increase in gross profit was mainly due to the increase in the sales of human albumin and the revenue from the medical beauty services.
- 3) Net profit of the Group decreased by 39.0% to RMB42.4 million for the Reporting Period (2022: RMB69.5 million), primarily due to the increased administration expenses as the Group increased the business operation in research and manufacturing of aesthetic medicine segment and medical beauty services segment.
- 4) During the Reporting Period, net profit attributable to owners of the Company amounted to RMB42.4 million (2022: net profit of RMB69.5 million), representing a decrease in net profit of RMB27.1 million.
- 5) Basic and diluted earnings per share amounted to RMB0.02 for the Reporting Period (2022: basic and diluted earnings per share of RMB0.03).
- 6) The Board resolved to declare a final dividend in respect of the year ended 31 December 2023 of HK\$0.39 cents (2022: final dividend in respect of the year ended 31 December 2022 of HK\$0.98 cents) per ordinary share, in an aggregate amount of approximately HK\$8,000,000 (2022: HK\$20,000,000). The dividend has been proposed by the Directors of the Company and is subject to approval by the shareholders at the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of Sinco Pharmaceuticals Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces the audited consolidated results of the Group for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022, which have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) as below.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>REVENUE</b>	3	<b>2,540,063</b>	2,271,505
Cost of sales		<u>(2,216,783)</u>	<u>(1,965,637)</u>
<b>Gross profit</b>		<b>323,280</b>	305,868
Other income and gains	4	<b>14,625</b>	25,240
Selling and distribution expenses		<b>(93,713)</b>	(117,016)
Administrative expenses		<b>(108,862)</b>	(81,423)
Provision for impairment loss on trade receivables		<b>(4,245)</b>	(6,205)
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets		–	279
Other expenses and losses		<b>(13,770)</b>	(6,485)
Changes in fair value of contingent consideration at fair value through profit or loss		<b>(3,000)</b>	(2,633)
Finance costs	5	<u><b>(14,434)</b></u>	<u>(18,333)</u>
<b>PROFIT BEFORE TAX</b>	6	<b>99,881</b>	99,292
Income tax expense	7	<u><b>(57,529)</b></u>	<u>(29,830)</u>
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>42,352</b></u>	<u>69,462</u>
Attributable to owners of the Company		<u><b>42,352</b></u>	<u>69,462</u>
<b>Earnings per share attributable to owners of the Company:</b>			
Basic			
– For profit for the year (RMB)	8	<u><b>0.021</b></u>	<u>0.034</u>
Diluted			
– For profit for the year (RMB)	8	<u><b>0.021</b></u>	<u>0.034</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	<b>2022</b> <b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>279,083</b>	258,109
Investment property		<b>6,139</b>	6,319
Right-of-use assets		<b>75,125</b>	57,730
Other intangible assets		<b>27,109</b>	15,001
Payments in advance		<b>–</b>	231
Goodwill		<b>66,536</b>	66,536
Deferred tax assets		<b>3,403</b>	3,001
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>457,395</b>	406,927
<b>CURRENT ASSETS</b>			
Inventories		<b>108,026</b>	88,148
Trade and bills receivables	9	<b>540,505</b>	351,268
Prepayments, other receivables and other assets		<b>126,804</b>	140,994
Pledged deposits		<b>220,026</b>	107,852
Bank balances and cash		<b>437,922</b>	329,144
		<hr/>	<hr/>
<b>Total current assets</b>		<b>1,433,283</b>	1,017,406
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	<b>866,585</b>	407,988
Contract liabilities		<b>40,456</b>	75,429
Other payables and accruals		<b>53,862</b>	117,927
Bank borrowings		<b>240,857</b>	180,806
Tax payable		<b>26,444</b>	5,437
Lease liabilities		<b>3,833</b>	2,998
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>1,232,037</b>	790,585
<b>NET CURRENT ASSETS</b>		<b>201,246</b>	226,821
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>658,641</b>	633,748

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>NON-CURRENT LIABILITIES</b>		
Bank borrowings	<b>886</b>	922
Deferred tax liabilities	<b>1,800</b>	2,250
Contingent consideration at fair value through profit or loss	<b>22,078</b>	19,078
Lease liabilities	<b>5,825</b>	7,686
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>30,589</b>	29,936
	<hr/>	<hr/>
<b>Net assets</b>	<b>628,052</b>	603,812
	<hr/>	<hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	<b>164</b>	164
Reserves	<b>627,888</b>	603,648
	<hr/>	<hr/>
<b>Total equity</b>	<b>628,052</b>	603,812
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

### 2. IMPACT OF NEW AND AMENDMENTS TO IFRSs

#### (a) Changes in Accounting Policies and Disclosures

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform-Pillar Two model Rules</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>

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

#### ***Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. IAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies.

**(b) Issued But Not Yet Effective IFRSs**

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>1</sup></i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback<sup>2</sup></i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current<sup>2</sup></i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants<sup>2</sup></i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements<sup>2</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>3</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

The Directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE AND OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of the services and products sold or provided, the Group has three (2022: three) reportable operating segments as follows:

- (a) the sale of imported pharmaceutical products segment;
- (b) the research and manufacturing of aesthetic medicine segment; and
- (c) the medical beauty services segment.

In the prior year, the Group's research and development of the polycaprolactone microsphere facial filler for injection was progressing smoothly and had started trial production for the research purpose in the second half of the prior year. As a result it was separately managed as the research and manufacturing of aesthetic medicine segment as a separate business unit and was identified as a separate reportable and operating segment of the Group in the prior year. In addition, the Group acquired Deyang Demei Medical Beauty Hospital Limited Company (德陽德美醫療美容醫院有限公司) ("**Demei Company**"), a medical beauty services provider in prior year, which was managed as a separate business unit and as a result, the medical beauty services segment was also identified as a separate reportable and operating segment of the Group in the prior year.

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

Segment assets exclude deferred tax assets, pledged deposits, bank balances and cash and corporate and other unallocated assets as these assets are managed on a group basis.

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

The following tables present revenue and profit (loss) information for the Group's operating segments for the years ended 31 December 2023 and 31 December 2022.

**Year ended 31 December 2023**

Segments	Sale of imported pharmaceutical products <i>RMB'000</i>	Research and manufacturing of aesthetic medicine <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>				
Sales to external customers	2,514,137	–	25,926	<u>2,540,063</u>
<b>Segment results</b>	116,779	(6,676)	8,882	118,985
Reconciliation:				
Corporate and other unallocated expenses				(10,604)
Other income and gains				14,625
Other expenses and losses				(13,770)
Finance costs (other than interest on lease liabilities and finance charges attributable to issue of letters of credit)				<u>(9,355)</u>
Profit before tax				<u>99,881</u>

**Year ended 31 December 2022**

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

The following table presents information of assets and liabilities of the Group's operating segments as at 31 December 2023 and 31 December 2022.

**As at 31 December 2023**

Segments	Sale of imported pharmaceutical products <i>RMB'000</i>	Research and manufacturing of aesthetic medicine <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment assets</b>	<b>1,045,836</b>	<b>97,101</b>	<b>85,600</b>	<b>1,228,537</b>
Reconciliation:				
Corporate and other unallocated assets				790
Deferred tax assets				3,403
Bank balances and cash				437,922
Pledged deposits				220,026
Total assets				<b>1,890,678</b>
<b>Segment liabilities</b>	<b>958,563</b>	<b>8,377</b>	<b>25,629</b>	<b>992,569</b>
Reconciliation:				
Corporate and other unallocated liabilities				70
Bank borrowings				241,743
Tax payable				26,444
Deferred tax liabilities				1,800
Total liabilities				<b>1,262,626</b>

**As at 31 December 2022**

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

**For the year ended 31 December 2023**

	Sale of imported pharmaceutical products <i>RMB'000</i>	Research and manufacturing of aesthetic medicine <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure*	32,515	34,270	704	67,489
Depreciation and amortisation	10,331	2,187	3,801	16,319
Provision for impairment loss on trade receivables	4,245	–	–	4,245
Interest on lease liabilities	102	295	56	453
Finance charges attributable to issue of letters of credit	4,626	–	–	4,626
	<u>4,626</u>	<u>–</u>	<u>–</u>	<u>4,626</u>

**For the year ended 31 December 2022**

	Sale of imported pharmaceutical products <i>RMB'000</i>	Research and manufacturing of aesthetic medicine <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure*	3,336	59,978	22,741	86,055
Depreciation and amortisation	6,941	1,641	2,774	11,356
Provision for impairment loss on trade receivables	6,205	–	–	6,205
Reversal of impairment loss on financial assets included in prepayments, other receivables and other assets	(279)	–	–	(279)
Interest on lease liabilities	17	374	42	433
Finance charges attributable to issue of letters of credit	4,520	–	–	4,520
	<u>4,520</u>	<u>–</u>	<u>–</u>	<u>4,520</u>

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

An analysis of revenue is as follows:

**Revenue from contracts with customers**

*Disaggregated revenue information for revenue from contracts with customers*

**For the year ended 31 December 2023**

Segments	Sale of imported pharmaceutical products <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>			
Sale of imported pharmaceutical products, at a point in time	2,514,137	–	2,514,137
Medical beauty services, at a point in time	–	25,926	25,926
Total revenue from contracts with customers	<u>2,514,137</u>	<u>25,926</u>	<u>2,540,063</u>

For the year ended 31 December 2022

Segments	Sale of imported pharmaceutical products <i>RMB'000</i>	Medical beauty services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>			
Sale of imported pharmaceutical products, at a point in time	2,259,313	–	2,259,313
Medical beauty services, at a point in time	–	12,192	12,192
Total revenue from contracts with customers	<u>2,259,313</u>	<u>12,192</u>	<u>2,271,505</u>

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Types of pharmaceutical products</b>		
Human albumin solution	2,507,058	2,257,253
Antibiotics (Axetine and Medocef)	<u>7,079</u>	<u>2,060</u>
Total revenue from contracts with customers	<u>2,514,137</u>	<u>2,259,313</u>

*Geographical markets*

All revenue from contracts with customers of the Group during each of the years ended 31 December 2023 and 2022 was attributable to customers located in Mainland China, the place of domicile of the Group's principal operating entities. Substantially all of the Group's non-current assets are all located in Mainland China.

*Timing of revenue recognition*

All revenue from contracts with customers of the Group during each of the years ended 31 December 2023 and 2022 was recognised when control of the goods and services were transferred on a point in time basis.

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Medical beauty services	<b>1,941</b>	–
Sale of imported pharmaceutical products	<b>56,804</b>	11,698
	<b>58,745</b>	11,698

*Information about major customers*

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Customer A	<b>412,547</b>	669,433

#### 4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	<b>5,961</b>	1,301
Interest income from financial assets at fair value through profit or loss	<b>6</b>	1,121
Government grants*	<b>1,319</b>	42
Net rental income from investment property	<b>390</b>	624
Service income	<b>6,889</b>	6,168
Exchange gains, net	–	15,980
Gain on disposal of property, plant and equipment	<b>36</b>	–
Others	<b>24</b>	4
	<hr/> <b>14,625</b> <hr/>	<hr/> 25,240 <hr/>

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

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	<b>9,355</b>	13,380
Interest on lease liabilities	<b>453</b>	433
Finance charges attributable to issue of letters of credit	<b>4,626</b>	4,520
	<hr/> <b>14,434</b> <hr/>	<hr/> 18,333 <hr/>

## 6. PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Cost of inventories sold	2,207,433	1,962,422
Cost of services provided	9,350	3,215
Depreciation of property, plant and equipment	7,703	5,608
Depreciation of right-of-use assets	5,433	3,569
Depreciation of investment property	180	180
Amortisation of other intangible assets (included in administrative expenses)	3,003	1,999
Research and development expenses (included in administrative expenses)	8,291	11,270
Provision for/(reversal of) impairment loss recognised on:		
Trade receivables	4,245	6,205
Financial assets included in prepayments, other receivables and other assets	–	(279)
Short-term lease payments	915	838
Auditors' remuneration	2,300	2,300
Employee benefit expense		
Wages and salaries	46,573	22,665
Welfare and other benefits	1,368	3,165
Pension scheme contributions		
– Defined contribution fund	6,313	4,154
Housing fund		
– Defined contribution fund	543	726
Total employee benefit expense	54,797	30,710
Exchange losses/(gains), net	8,641	(15,980)
Interest income from financial assets at fair value through profit or loss	(6)	(1,121)
Net rental income from investment property	(390)	(624)

## 7. INCOME TAX EXPENSE

The major components of income tax expense are as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – Hong Kong		
Charge for the year	–	9,032
Overprovision in prior years	(103)	–
Current – Mainland China		
Charge for the year	46,013	19,469
Underprovision in prior years	10,690	–
Current – Singapore		
Charge for the year	1,781	3,770
Deferred tax credit	(852)	(2,441)
Total tax charge for the year	57,529	29,830

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year ended 31 December 2023 of RMB42,352,000 (2022: RMB69,462,000), and the weighted average number of ordinary shares of 2,032,890,585 (2022: 2,031,575,517) in issue during the year.

No adjustment is made in arriving of diluted earnings per share as there was no potential ordinary shares outstanding in the year ended 31 December 2023 (2022: the outstanding share options were anti dilutive).

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to owners of the Company	<u>42,352</u>	<u>69,462</u>
	<b>Number of shares</b>	
	<b>2023</b>	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculations	<u>2,032,890,585</u>	<u>2,031,575,517</u>
	<u>2,032,890,585</u>	<u>2,031,575,517</u>

## 9. TRADE AND BILLS RECEIVABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables, gross	<b>549,596</b>	359,478
Impairment	<u>(13,561)</u>	<u>(9,316)</u>
Trade receivables, net of loss allowance	<b>536,035</b>	350,162
Bills receivables*	<u>4,470</u>	<u>1,106</u>
	<u><b>540,505</b></u>	<u>351,268</u>

\* Bills receivables as at 31 December 2023 and 2022 were classified as financial assets at fair value through profit or loss as they were held for the endorsement or discounting.

The Group granted credit terms ranging from 90 days to 180 days (2022: 90 days to 180 days) to customers after the delivery of goods, except for certain customers who were required to make payments in advance prior to the delivery of goods.

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	<b>535,928</b>	349,742
3 to 12 months	<b>107</b>	420
	<b><u>536,035</u></b>	<u>350,162</u>

#### 10. TRADE AND BILLS PAYABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<b>813,668</b>	366,988
Bills payables	<b>52,917</b>	41,000
	<b><u>866,585</u></b>	<u>407,988</u>

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	<b><u>866,585</u></b>	<u>407,988</u>

Trade and bills payables of the Group are normally settled within 120 to 180 days (2022: 120 to 180 days).

The Group's bills payables as at 31 December 2023 were secured by the pledge of certain of the Group's deposits amounting to RMB52,917,000 (2022: RMB41,000,000).

#### 11. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK0.39 cents (2022: final dividend in respect of the year ended 31 December 2022 of HK 0.98 cents) per ordinary share, in an aggregate amount of approximately HK\$8,000,000 (2022: HK\$20,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The Group focuses on three business segments including biologics, medical aesthetic products and biopharmaceutical cold chain and supply chain services. Biologics business provides comprehensive marketing, promotion and channel management (“MPCM”) services that mainly covers imported blood products and other imported anti-infective drugs; medical aesthetic products business is committed to establish the independent research and development, production and sales the aesthetic medicine with proprietary intellectual properties leading fields in China; biopharmaceutical cold chain and supply chain services focus on the cold chain facilities construction and industry chain services of biopharmaceutical products, as well as establishing the supply chain service platform of relevant products.

#### 1. Core Products

##### *Human Albumin Solution*

Blood products originated in the early 1940s and, after decades of rapid development, the range of products has expanded from the initial human albumin to include over 20 varieties across three major series: human albumin, immunoglobulins, and coagulation factors. With the approval of new indications and the increase in diagnosis and treatment rates, the Plasma Protein Therapeutics Association (PPTA) anticipates that the global demand for blood products will continue to grow at a high rate in the future. Human albumin, as the largest sales category in the Chinese blood product market and the only blood product currently allowed to be imported, has maintained rapid growth in the annual batch release volume of both imported and domestic varieties. In 2023, the annual batch release volume was 78.1 million bottles (2022: 67.7 million bottles), with imported and domestically produced human albumin accounting for 66.3% and 33.7% of the market share, respectively. The human albumin solution operated by our Group is produced by Octapharma, one of the global giants in blood products. It is used to treat conditions such as shock due to hypovolemia, elimination of edema and toxic substances, and neonatal hyperbilirubinemia, and is a Category B product in the National Reimbursement Drug List. Based on the batch release volume of the human albumin solution in China in 2023, Octapharma’s human albumin solution holds approximately 12.0% of the market share.

## **2. Marketing Network Development**

The Group is committed to continuously optimizing and expanding our marketing network, which has become a key component of our development strategy. The Group has built a strong and streamlined internal sales teams and meanwhile the Group also closely cooperates with numerous professional third party promotional service providers. In response to the rapid changes in the market, the Group focuses on building a marketing team that can quickly respond to market changes and efficiently execute strategies, adhering to the core principles of being “agile and dynamic” and “professional and efficient”. The Group has thoroughly optimized our team structure, prioritizing the discovery and cultivation of talent to ensure that our team members can continuously progress and adapt to future market demands. Additionally, the Company has further improved our team’s performance management system, allocating sales resources scientifically and rationally to ensure that each product line receives adequate attention and investment, thereby enhancing the overall operational efficiency of the team.

The Group has recently conducted meticulous optimization of our existing sales partner network. By deepening cooperation with regional distributors and coordinating with our internal sales team, the Group is accelerating the expansion of our sales channels into a broader end market. For example, the marketing strategy of the Group has shifted from a regional distribution to a specific layout targeting customer in each area and its corresponding promotional service providers, ensuring that our sales network directly reaches the market endpoints. Furthermore, the Group’s market coverage has expanded from major top-tier customers to a wider range, including provincial, municipal, and county-level customers, thereby strengthening our market penetration. The ultimate goal of the Group is to establish a precise and effective promotional service system in each cooperative customer, maximizing the impact of our market promotion efforts.

Additionally, the Group is further strengthening the proactive role of our internal marketing team in product marketing activities. This includes regularly providing training on product knowledge to third party promotional service providers and actively participating in organizing or attending medical and pharmaceutical meetings, symposiums, and product seminars to directly drive the academic promotion of our products. This effort aims to expand the Group’s network of opinion leaders in the main therapeutic areas of our products, ensuring that doctors receive accurate and timely product information. Beyond product promotion, the Group is also actively engaging with third party promotional service providers nationwide to discuss and interpret the significant impact of national policies, thereby enhancing the value and appeal of the Group’s training programs.

### **3. Cold Chain Storage Facility**

In view of the Group's future business expansion needs and the high demand for pharmaceutical cold chains in the storage and transportation of blood products and biologics, the Group has invested in building cold chain storage facilities in Shuangliu District, Chengdu City, Sichuan Province. The current first phase of the cold chain warehouse, covering an area of 15,000 square meters, has been completed, fully satisfying the Group's storage needs and effectively ensuring the quality and safety of blood products in the Group's product portfolio. The construction of the second phase of cold chain project will be initiated in 2024. Once completed, the Group will be able to provide high-quality pharmaceutical cold chain storage services to other third parties, which will become a new business division for the Group.

### **4. Research and Development**

The Group has entered into a collaboration agreement with the Institute of Chinese Materia Medica, China Academy of Chinese Medical Sciences to develop "Sinco 1", a realgar-based chemical medicine. Due to the special manufacturing process, it is difficult for domestic production equipment to meet relevant technical requirements, and no substantial progress has been made in the research. Therefore, the Group has decided to suspend the research on it.

In September 2021, the Group cooperated with Beijing Nuokangda to develop polycaprolactone fillers for injection, namely Girl Needle. As of the date of this report, all relevant plant, production equipment and facilities have been completed and put into use after passing the inspection of Sichuan Institute for Drug Control (Sichuan Medical Device Testing Center). The material of Girl Needle Type S has completed the master file registration with the Center for Medical Device Evaluation of National Medical Products Administration in October 2023. In addition, Girl Needle Type S has completed the pilot test, validation and production of samples for clinical use in June 2023. It has passed the registration test of Sichuan Institute for Drug Control (Sichuan Medical Device Testing Center). The clinical protocol has been determined and preparations for clinical trials are underway. In November 2022, the Group cooperated with Beijing Nuokangdain on the research and development of the secret needle and the secret needle polycaprolactone filling material. The secret needle and its polycaprolactone fillers project have completed the small-scale laboratory tests and are in the stage of preclinical animal tests. The project is advancing.

## **FUTURE AND OUTLOOK**

On the one hand, with the gradual fading of the COVID-19 pandemic and significant adjustments in prevention and control policies in 2023, the Group ushers in a resurgence in the industry and new development opportunities. Facing the new landscape and challenges of the post-pandemic era, we firmly believe that the pharmaceutical and healthcare industry will continue to demonstrate strong growth momentum and sustained market demand, driven by population aging, increased health awareness, changes in the spectrum of diseases, and the application of new technologies.

At this turning point, the strategic layout of the Group in the field of blood products and key medical resources has proven its importance. With the steady growth in national demand for medical resources, key products of the Group, especially human albumin, are expected to maintain strong market demand.

On the other hand, the Gril Needle project as the medical aesthetic product researched by Group is undergoing clinical trials. It is expected to be completed in the second half of 2025. Meanwhile, the Secret Needle project continues to advance with preclinical animal tests and evaluation of existing processes. The Chengdu Hengmeisheng Medical Polymer Materials Research and Development Center jointly established with Sichuan University has played a core role in technology and the self-developed new materials and corresponding Class III medical devices are entering the animal tests evaluation stage this year. Adhering to the concept of “safety, effectiveness and reliability”, the Group’s research and development will accelerate the pace of research and development and strive to continuously provide users with quality new products.

In response to this new market environment, the Group will continue to adhere to core values of innovation and development, constantly exploring and expanding new business areas while strengthening internal management and enhancing risk control capabilities to ensure the continuous and healthy development of the enterprise. We are committed to creating value for shareholders, providing a good career development platform for employees, and actively fulfilling corporate social responsibilities.

## FINANCIAL REVIEW

### Revenue

The Group recorded revenue of RMB2,540.1 million for the Reporting Period, representing an increase of RMB268.6 million, or 11.8% as compared to RMB2,271.5 million in 2022, which could be further analysed as follows:

		2023		2022	
		<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Human albumin solution	1)	<b>2,507,058</b>	<b>98.7</b>	2,257,253	99.4
Antibiotics		<b>7,079</b>	<b>0.3</b>	2,060	0.1
Medical beauty service	2)	<b>25,926</b>	<b>1.0</b>	12,192	0.5
<b>Total</b>		<b><u>2,540,063</u></b>	<b><u>100.0</u></b>	<b><u>2,271,505</u></b>	<b><u>100.0</u></b>

- 1) During the Reporting Period, revenue of human albumin solution stood at RMB2,507.1 million, representing an increase of approximately 11.1% or RMB249.8 million as compared with 2022. Such increase in revenue mainly benefited from the increase in the supply volume and the sales volume of human albumin.
- 2) During the Reporting Period, revenue generated from medical beauty services amounted to RMB25.9 million, representing an increase of approximately 112.3% or RMB13.7 million as compared with 2022.

## **Cost of sales**

The Group recorded cost of sales of RMB2,216.8 million for the Reporting Period, representing an increase of RMB251.2 million, or 12.8% as compared with RMB1,965.6 million in 2022, which was in line with the increase in sales revenue.

## **Gross profit and gross profit margin**

During the Reporting Period, the Group recorded gross profit of RMB323.3 million, representing an increase of RMB17.4 million as compared with RMB305.9 million in 2022, in which the gross profit of the human albumin solution increased by RMB9.8 million and the gross profit of the medical beauty service increased by RMB7.6 million. The gross profit margin decreased from 13.5% in 2022 to 12.7% for the Reporting Period. The decrease was primarily caused by its increased purchase cost of human albumin which was as a result of the depreciation of the exchange rate of RMB against the USD during the Reporting Period.

## **Other income and gains**

During the Reporting Period, other income and gains of the Group amounted to RMB14.6 million, representing a decrease of RMB10.6 million as compared with the 2022, which was mainly caused by the decrease in foreign exchange gains of RMB16.0 million which was partially offset by the increase of bank interest income of RMB4.7 million and government grants of RMB1.3 million.

## **Selling and distribution expenses**

During the Reporting Period, the Group's selling and distribution expenses amounted to approximately RMB93.7 million, representing a decrease of RMB23.3 million as compared with the corresponding period of 2022. The decrease was mainly due to the decrease in marketing and promotion expenses.

## **Administrative expenses**

During the Reporting Period, the Group recorded administrative expenses of RMB108.9 million, representing an increase of RMB27.5 million as compared with the corresponding period of 2022. With the business development in the research and manufacturing of aesthetic medicine segment and the medical beauty segment, the increase of administrative expenses was mainly due to the increase in the staff cost which was in line with the increase of the employees, office rental expenses, tax expenses, amortization expenses, travel expenses and other miscellaneous expenses.

## **Other expenses**

During the Reporting Period, the Group recorded other expenses of RMB13.8 million, representing an increase of RMB7.3 million as compared with the 2022, which was mainly due to the increase in foreign exchange loss.

### **Finance costs**

During the Reporting Period, the Group recorded finance costs of RMB14.4 million, representing a decrease of RMB3.9 million as compared with the 2022, which was mainly due to the decrease of the interest of bank loans.

### **Income tax expense**

During the Reporting Period, the income tax expense increased by RMB27.7 million or 93.0% to RMB57.5 million as compared with the 2022. Such increase was mainly due to the increase in the non-taxable expenses which in turn resulted the increase of taxable profit.

### **Profit and Total Comprehensive Income for the Reporting Period**

As a result of the foregoing, the Group recorded a net profit of RMB42.4 million, representing a decrease of RMB27.1 million as compared with RMB69.5 million in 2022.

### **Inventories**

The inventory balance amounted to RMB108.0 million as of 31 December 2023 (31 December 2022: RMB88.1 million), representing an increase of RMB19.9 million as compared with the year-end balance of 2022. Such increase was mainly due to the increase in the inventory balance of human albumin solution.

In line with the increase of the inventories, the Group's average inventory turnover days slightly increased by 2 days from 14 days in 2022 to 16 days for the Reporting Period.

### **Trade and bills receivables**

The balance of trade receivables amounted to RMB536.0 million as of 31 December 2023 (31 December 2022: RMB350.2 million). The increase of RMB185.8 million as compared with the year-end balance of 2022 was because with the increase of sales, the Group granted the credit term to some major customers.

The balance of bills receivables as of 31 December 2023 was RMB4.5 million (31 December 2022: RMB1.1 million), representing an increase of RMB3.4 million as compared to the year-end balance of 2022. Such increase was primarily resulted from the increase in sales of human albumin solution.

## Prepayments, other receivables and other assets

As of 31 December 2023, the prepayments, other receivables and other assets amounted to RMB126.8 million (31 December 2022: RMB141.0 million), representing a decrease of RMB14.2 million as compared with the year-end balance of 2022. Such a decrease was mainly due to the decrease of the prepayment of deposits for issuance of the letter of credit of RMB26.5 million and the decrease of other receivables of RMB2.7 million. The decrease was partially offset by the increase of the prepayment of the value-added tax recoverable amount of RMB16.8 million.

## Trade and bills payables

As of 31 December 2023, trade and bills payables amounted to RMB866.6 million (31 December 2022: RMB408.0 million), representing an increase of RMB458.6 million as compared with the year-end balance of 2022, which was mainly due to the increase in payables for the purchase of human albumin solution.

## Other payables and accruals

As of 31 December 2023, other payables and accruals amounted to RMB53.9 million (31 December 2022: RMB117.9 million), representing a decrease of RMB64.0 million as compared with the year-end balance of 2022. The decrease was mainly due to the decrease of payables in relation to (i) the import agent services of RMB74.6 million; (ii) the deposits received from distributors of RMB3.1 million and (iii) the payables of the consulting and professional fee of RMB1.4 million. The decrease was partially offset by the increase of (i) the other payables of RMB8.1 million; (ii) the other tax payables of RMB4.1 million; and (iii) the payroll and welfare payable of RMB3.0 million.

## Borrowings

As of 31 December 2023, the Group has borrowings of RMB241.7 million in total, with details set out below:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Current:		
Bank loans	<u>240,857</u>	<u>180,806</u>
Non-current:		
Bank loans	<u>886</u>	<u>922</u>
Total	<u><b>241,743</b></u>	<u>181,728</u>

## Gearing ratio

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank borrowings	<b>241,743</b>	181,728
Trade and bills payables	<b>866,585</b>	407,988
Other payables and accruals	<b>53,862</b>	117,927
Tax payables	<b>26,444</b>	5,437
Financial liabilities at fair value through profit or loss	<b>22,078</b>	19,078
Lease liabilities	<b>9,658</b>	10,684
Less: Bank balances and cash	<b>(437,922)</b>	(329,144)
Less: Pledged deposits	<b>(220,026)</b>	(107,852)
Net debt	<b>562,422</b>	305,846
Equity	<b>628,052</b>	603,812
Equity and net debt	<b>1,190,474</b>	909,658
Gearing ratio	<b>47.2%</b>	33.6%

## Liquidity and capital resources

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

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Net cash flows from operating activities	1)	<b>353,700</b>	75,081
Net cash flows used in investing activities	2)	<b>(63,626)</b>	(119,270)
Net cash flows (used in)/from financing activities	3)	<b>(189,729)</b>	35,043
Net increase/(decrease) in cash and cash equivalents		<b>100,345</b>	(9,146)
Effect of foreign exchange rate changes, net		<b>8,433</b>	12,238
Cash and cash equivalents at beginning of the year	4)	<b>329,144</b>	326,052
Cash and cash equivalents at end of the year	4)	<b>437,922</b>	329,144

*Notes:*

1) Net cash flows from operating activities

During the Reporting Period, the Group's net cash inflow generated from operating activities amounted to approximately RMB353.7 million (for the year 2022: net cash inflow of RMB75.1 million), which was mainly due to the cash inflow from operation activities amounted to RMB140.3 million and the increase of in trade and bills payables of RMB444.2 million and the decrease in prepayments, other receivables and other assets of RMB40.6 million, which was partially offset by the increase in trade and bills receivables of RMB195.9 million, decrease in contract liabilities of RMB35.0 million and increase in inventories of RMB19.9 million.

2) Net cash flows used in investing activities

During the Reporting Period, the Group's net cash used in investing activities amounted to approximately RMB63.6 million (for the year 2022: net cash outflow of RMB119.3 million), which mainly included the investments in purchase of items of property, plant and equipment of RMB29.6 million, payment of right-to-use land of RMB19.9 million and additions to others intangible assets of RMB15.1 million.

3) Net cash flows from financing activities

During the Reporting Period, the Group's net cash outflow financing activities amounted to approximately RMB189.7 million (for the year 2022: net cash inflow of RMB35.0 million). The decrease was mainly due to the decrease in the proceeds of issue of new shares of RMB159.5 million; the decrease in the other payables and accruals of RMB147.3; the decrease in the prepayments, other receivables and other assets of RMB61.9 million and the increase in the pledged deposit of RMB59.4 million, which was partially offset by the increase in the net proceeds from bank borrowings of RMB218.8.

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Denominated in RMB	541,812	284,759
Denominated in US\$*	110,102	69,328
Denominated in HK\$*	2,355	72,120
Denominated in S\$*	3,679	10,789
	<u>657,948</u>	<u>436,996</u>

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

## Treasury policies

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

## Foreign currency risk

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

- Certain bank balances are denominated in US\$, HK\$ and S\$; and
- Purchase of products from overseas suppliers and relevant trade and bills payables are denominated in US\$.

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

## Future Plans for Material Investments and Capital Assets

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

## Capital expenditure

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Purchase of property, plant and equipment	<u>(29,550)</u>	<u>52,691</u>
	<u>(29,550)</u>	<u>52,691</u>

## Contingent liabilities

The Group had no material contingent liabilities as at 31 December 2023.

## Pledge of assets

As at 31 December 2023, the carrying amounts of the Group's pledged assets were set out as follows:

	<b>31 December</b> <b>2023</b> <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
For obtaining bank and other borrowings		
– Buildings	<b>68,489</b>	70,999
– Inventories	–	38,982
For issuance of letters of credit, billings and other		
– Bank balances	<u><b>220,026</b></u>	<u>107,852</u>

## SIGNIFICANT FINANCING EVENT AND USE OF PROCEEDS

### 2022 Placing of new Shares under general mandate

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

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

- (a) approximately 40% of the net proceeds of the 2022 Placing (approximately HK\$78.0 million) will be used for relevant costs and expenses incurred for the development of polycaprolactone microsphere facial filler and its materials for injection, including but not limited to development of experimental workshop, research and development equipments and factories construction investment; and
- (b) approximately 60% of the net proceeds of the 2022 Placing (approximately HK\$116.9 million) will be used for the strategic acquisition/development of new projects/products in the field of medical aesthetic including but not limited to acquisition of medical aesthetic organisations or investing in medical aesthetic projects and development of new medical aesthetic products.

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

In 2022, approximately HK\$133.1 million of the net proceeds from the 2022 Placing had been used in accordance with the intended use and the unutilised net proceeds as of 31 December 2022 was approximately HK\$61.8 million. During the Reporting Period, approximately HK\$31.0 million of net proceeds from the 2022 Placing had been used and the details are as follows:

	Approximate % of total net proceeds (%)	Net proceeds from the 2022 placing HK\$(million)	Unutilised net proceeds as of 31 December 2022 HK\$(million)	Net proceeds utilised during the Reporting Period HK\$(million)	Unutilised net proceeds as at 31 December 2023 HK\$(million)	Expected timeline for full utilization of the remaining net proceeds
Development of polycaprolactone microsphere facial filler and its materials for injection, including but not limited to development of experimental workshop, research and development equipments and factories construction investment	40	78.0	24.4	24.4	-	-
Strategic acquisition/ development of new projects/ products in the field of medical aesthetic including but not limited to acquisition of medical aesthetic organisations or investing in medical aesthetic projects and development of new medical aesthetic products	60	116.9	37.4	6.6	30.8	12 months
Total	100	194.9	61.8	31.0	30.8	

Save as disclosed above, for the year ended December 31, 2023 and up to date of this announcement, there was no significant financial event affecting the Group.

## EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2023, the Group had a total of 278 employees. For the Reporting Period, the total staff costs of the Group were RMB54.8 million (2022: RMB30.7 million).

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

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

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

## **RISK MANAGEMENT**

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

- Failure to maintain relationships with existing suppliers – The Group currently sources all the products in portfolio from limited suppliers, either directly or indirectly through their sales agents.
- Exchange rate fluctuation – The Group's purchase of products from the overseas suppliers is denominated in US\$, and certain items of bank balances, other receivables, bank borrowings and bonds are denominated in US\$ and HK\$.
- Decrease in profit margin due to increase in cost, decrease in selling price and intensified competition.
- Prolonged delays or significant disruptions in the supply of products.

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

## **RELATIONSHIP WITH KEY STAKEHOLDERS**

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

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

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

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

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

- Promoting paperless office
- Encouraging low-carbon commuting
- Ensuring reasonable energy consumption

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

## **COMPLIANCE WITH LAWS AND REGULATIONS**

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

## **FINAL DIVIDEND**

The Board resolved to declare a final dividend in respect of the year ended 31 December 2023 of HK\$0.39 cents (2022: final dividend in respect of the year ended 31 December 2022 of HK\$0.98 cents) per ordinary share, in an aggregate amount of approximately HK\$8,000,000 (2022: HK\$20,000,000). The dividend has been proposed by the Directors of the Company and is subject to approval by the Shareholders in the forthcoming general meeting. The final dividend has been calculated by reference to the 2,032,890,585 issued shares outstanding as at the date of this announcement.

## **ANNUAL GENERAL MEETING**

The annual general meeting of the Company (the “**AGM**”) will be held on Thursday, 16 May 2024. A notice convening the AGM will be published in the manner required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The register of members of the Company will be closed from Friday, 10 May 2024 to Thursday, 16 May 2024, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on Thursday, 16 May 2024. To be eligible for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s relevant Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 9 May 2024.

## **CLOSURE OF THE REGISTER OF MEMBERS THE ENTITLEMENT OF FINAL DIVIDEND**

The register of members will be closed from Wednesday, 22 May 2024 to Friday, 24 May 2024, both days inclusive, in order to qualify for entitlement to the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 21 May 2024. Subject to the approval of Shareholders of the Company at the forthcoming AGM, the final dividend will be paid on or around Tuesday, 4 June 2024.

## **CORPORATE GOVERNANCE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. During the Reporting Period, the Company has complied with all applicable code provisions in force under the CG Code and adopted most of the best practices set out therein except for the following provision:

Mr. Huang Xiangbin (“**Mr. Huang**”) was the Chairman of the Board and the co-chief executive officer of the Company (“**Co-CEO**”) for the period from 1 January 2023 to 28 March 2023, with Mr. Huang’s extensive experience in the pharmaceutical industry, the Board considered that vesting the roles of Chairman and Co-CEO in the same person is beneficial to the business prospects and management of the Group. The check and balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high calibre individuals. Accordingly, the Board believes that this arrangement will not impact on the balance of power and authorisations between the Board and the management of the Company. On 29 March 2023, Mr. Huang resigned as the Co-CEO. Upon Mr. Huang’s resignation as a Co-CEO, the other Co-CEO, Mr. Jin Min (“**Mr. Jin**”), will become the chief executive officer of the Company. Subsequent to Mr. Huang’s resignation as a Co-CEO of the Company, the Company has confirmed there is no deviation with the Code Provision C.2.1 of the CG Code, in which stated the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board shall review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

## **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 to the Listing Rules as its own code of conduct regarding Directors’ dealings in the Company’s securities.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

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

## **SCOPE OF WORK OF CL PARTNERS CPA LIMITED**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, CL Partners CPA Limited, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by CL Partners CPA Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by CL Partners CPA Limited on this preliminary announcement.

## **SUBSEQUENT SIGNIFICANT EVENT AFTER THE REPORTING PERIOD**

Other than the above, the Board is not aware of any material event requiring disclosure has occurred subsequent to 31 December 2023 and up to the date of this announcement.

## AUDIT COMMITTEE

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

The Audit Committee currently comprises four members, namely Mr. Lau Ying Kit (chairman), Mr. Liu Wenfang, Mr. Wang Qing and Mr. Bai Zhizhong, all of them are independent non-executive Directors. The Audit Committee has reviewed the applicable accounting principles, standards and practices adopted by the Group as well as the consolidated financial statements of the Group for the year ended 31 December 2023 and the disclosure in this announcement.

## CHANGE OF AUDITOR

Ernst & Young (“**EY**”) resigned as auditor of the Company with effect from 8 December 2022. CL Partners CPA Limited (“**CL Partners**”) has been appointed by the Board as the new auditor of the Company with effect from 13 December 2022 to fill the casual vacancy following the resignation of EY. Details of the change of auditor have been disclosed in the announcement of the Company dated 8 December 2022 and 13 December 2022.

The consolidated financial statements of the Company for the year ended 31 December 2023 have been audited by CL Partners, which will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

## Internal Control

On 15 September 2022, the Company received a letter from Ernst & Young (“**EY**”), being the then auditor of the Company, informing that there might be possible internal control irregularities (the “**Incident**”), which involved transactions that took place in January 2022 with a sum equivalent to US\$13 million (approximately HK\$100 million).

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

On 20 September 2022, the Independent Committee appointed Diligent Capital Limited as its financial advisor and C&T Legal LLP as its legal advisor to assist in the investigation. After conducting a preliminary assessment of the situation, the Independent Committee was of the view that the current information and evidence available to the Company were insufficient and therefore a proper investigation on the Incident with the assistance of an external forensic accountant was necessary. Accordingly, on 21 December 2022, the independent committee appointed Grant Thornton Advisory Services Limited (the “**Forensic Accountant**”) as an independent forensic accountant to conduct an independent forensic investigation into the Incident (the “**Forensic Investigation**”) and produce a report on the findings of the Forensic Investigation to be presented to the independent committee.

On 21 April 2023 the Independent Committee engaged Moore Advisory Services Limited as the Internal Control Consultant to review the findings from the Forensic Investigation Report to ensure the Company has established adequate and effective controls to minimize the risk identified. The Independent Committee received the final Forensic Investigation Report from the Forensic Accountant on 4 July 2023 and the final internal control review report (the “**Internal Control Review Report**”) from the Internal Control Consultant on 27 September 2023. During the Report Period, the Company has already adopted rectification measures to address the key internal control deficiencies. For details, please refer to the announcement of the Company dated 27 September 2023.

The Board has completed its annual review of the internal control and risk management systems of the Company for the year ended 31 December 2023. Regarding the Incident which involved transactions that took place in January 2022 with a sum equivalent to US\$13 million (approximately HK\$100 million), having considered the Internal Control Review Report and the remedial actions taken by the Group, in particular, the Internal Control Consultant had performed follow-up reviews on the enhanced internal control measures adopted by the Group, the Independent Committee and the Board are of the view that (i) the above key internal control deficiencies have been remediated and the related risks have been managed to a reasonably acceptable level; and (ii) the remedial actions and improvement measures implemented by the Company are adequate and sufficient to address the key findings of the Internal Control Review Report.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT**

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<http://www.sinco-pharm.com>). The annual report of the Company for the year ended 31 December 2023 containing all the information as required by the Listing Rules will be made available for review on the same websites in due course.

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

Hong Kong, 26 March 2024

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