

PHARMESIS INTERNATIONAL LTD.

Co. Registration No. 200309641E

Unaudited Condensed Financial Statements for the 12 months ended 31 December 2022
A. UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SECOND HALF AND FULL YEAR ENDED 31 DECEMBER 2022

	Group			Group		
	6 months ended	6 months ended	+ / (-) %	12 months ended	12 months ended	+ / (-) %
	31.12.2022	31.12.2021		31.12.2022	31.12.2021	
	RMB'000	RMB'000		RMB'000	RMB'000	
Revenue	31,602	27,613	14.4	50,369	52,772	(4.6)
Cost of sales	(17,139)	(14,860)	15.3	(26,358)	(27,769)	(5.1)
Gross profit	14,463	12,753	13.4	24,011	25,003	(4.0)
Other income	279	1,900	(85.3)	293	2,082	(85.9)
Selling and distribution costs	(8,447)	(6,880)	22.8	(15,112)	(14,724)	2.6
Administrative costs	(5,874)	(5,040)	16.6	(11,427)	(9,216)	24.0
Other costs	—	—	n.m.	—	—	n.m.
(Loss)/profit from operations	421	2,733	(84.6)	(2,235)	3,145	n.m.
Finance income	14	12	16.7	28	30	(6.7)
Finance costs	(484)	(571)	(15.3)	(951)	(1,059)	(10.2)
Net finance costs	(470)	(559)	(15.9)	(923)	(1,029)	(10.3)
(Loss)/profit before tax	(49)	2,174	n.m.	(3,158)	2,116	n.m.
Income tax expense	(6)	(148)	(95.9)	(18)	(149)	(87.9)
(Loss)/profit for the period/year	(55)	2,026	n.m.	(3,176)	1,967	n.m.
Attributable to:						
Equity holders of the Company	(508)	1,469	n.m.	(3,560)	1,170	n.m.
Non-controlling interest	453	557	(18.7)	384	797	(51.8)
(Loss)/profit for the period/year	(55)	2,026	n.m.	(3,176)	1,967	n.m.
(Loss)/profit per share (RMB cents)						
Basic and diluted	(2.2)	6.4		(15.5)	5.1	

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(a) Profit/(loss) for the period is arrived at after crediting/(charging):

	Group			Group		
	6 months ended	6 months ended	+ / (-) %	12 months ended	12 months ended	+ / (-) %
	31.12.2022	31.12.2021		31.12.2022	31.12.2021	
RMB'000	RMB'000		RMB'000	RMB'000		
Finance income	14	12	16.7	28	30	(6.7)
Finance expense	(484)	(571)	(15.3)	(951)	(1,059)	(10.2)
Allowance for expected credit loss – trade	(46)	(1)	n.m.	(196)	(5)	n.m.
Depreciation of right-of-use assets	330	330	–	661	577	14.6
Depreciation of property, plant, and equipment	666	644	3.4	1,338	1,268	5.5
Government grants	239	1,552	(84.6)	252	1,722	(85.4)
Foreign exchange gain/(loss)	8	16	(50.0)	(6)	14	n.m.

n.m. denotes not meaningful

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

	Group			
	6 months ended	6 months ended	12 months ended	12 months ended
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period/year	(55)	2,026	(3,176)	1,967
Other comprehensive income for the period/year	–	–	–	–
Total comprehensive income for the period/year	(55)	2,026	(3,176)	1,967
Total comprehensive income attributable to:				
Equity holders of the Company	(508)	1,469	(3,560)	1,170
Non-controlling interest	453	557	384	797
	(55)	2,026	(3,176)	1,967

B. UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	GROUP		COMPANY	
	As at 31.12.2022 RMB'000	As at 31.12.2021 RMB'000	As at 31.12.2022 RMB'000	As at 31.12.2021 RMB'000
Non-current assets				
Property, plant and equipment	43,396	44,528	–	1
Right-of-use assets	7,930	8,591	50	116
Investments in subsidiaries	–	–	54,999	54,999
Goodwill on consolidation	1,323	1,323	–	–
Other current assets	1,095	1,095	–	–
	53,744	55,537	55,049	55,116
Current assets				
Inventories	11,086	8,806	–	–
Trade receivables	11,642	12,803	–	–
Prepaid expenses	421	156	15	13
Other receivables	1,179	1,294	19	18
Tax recoverable	106	106	–	–
Cash and cash equivalents	19,718	13,976	1,495	339
	44,152	37,141	1,530	370
Current liabilities				
Bank borrowings	15,000	15,000	–	–
Trade payables	5,165	4,430	–	–
Accrued liabilities and other payables	19,053	10,749	1,057	893
Lease liabilities	198	392	51	67
Tax payable	179	220	4	–
	39,595	30,791	1,112	960
Net current assets	4,557	6,350	418	(590)
Non-current liabilities				
Lease liabilities	1,335	1,745	–	51
	1,335	1,745	–	51
Net assets	56,966	60,142	55,467	54,475
Equity attributable to equity holders of the Company				
Share capital	83,714	83,714	83,714	83,714
Reserves	(29,811)	(26,251)	(28,247)	(29,239)
Share capital and Reserves	53,903	57,463	55,467	54,475
Non-controlling interest	3,063	2,679	–	–
Total equity	56,966	60,142	55,467	54,475

1(b)(ii) Aggregate amount of group's borrowing and debt securities

Amount repayable in one year or less, or on demand

In RMB'000

As at 31 December 2022		As at 31 December 2021	
Secured	Unsecured	Secured	Unsecured
15,000	–	15,000	–

Amount repayable after one year

In RMB'000

As at 31 December 2022		As at 31 December 2021	
Secured	Unsecured	Secured	Unsecured
–	–	–	–

The above does not include the lease liabilities recognised under SFRS(I) 16.

Details of any collateral

The bank borrowings are secured over the land use rights and buildings of a subsidiary.

C. **UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Group			
	6 months ended 31.12.2022	6 months ended 31.12.2021	12 months ended 31.12.2022	12 months ended 31.12.2021
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
(Loss)/profit before tax	(49)	2,174	(3,158)	2,116
Adjustments for:				
Allowance for expected credit loss – trade	46	1	196	5
Depreciation of right-of-use assets	330	330	661	577
Depreciation of property, plant, and equipment	666	644	1,338	1,268
Loss on disposal of property, plant & equipment	11	1	11	7
Finance income	(14)	(12)	(28)	(30)
Finance costs	484	571	951	1,059
Operating profit/(loss) before changes in working capital	1,474	3,709	(29)	5,002
Changes in working capital				
Trade receivables	(5,021)	(3,122)	965	(1,644)
Prepayments, deposits and other receivables	916	608	(150)	558
Inventories	230	472	(2,280)	(273)
Trade payables	1,021	(1,769)	735	143
Accrued liabilities and other payables	10,025	1,931	8,304	(2,163)
Cash generated from operations	8,645	1,829	7,545	1,623
Finance income received	14	12	28	30
Finance costs paid	(484)	(571)	(951)	(1,059)
Income tax (paid)/ refunded	(8)	72	(59)	59
Net cash flows from operating activities	8,167	1,342	6,563	653
Cash flows from investing activities				
Acquisition of property, plant and equipment	101	(428)	(238)	(1,582)
Proceeds from disposal of property, plant and equipment	21	–	21	–
Net cash flows used in investing activities	122	(428)	(217)	(1,582)
Cash flows from financing activities				
Proceeds from bank borrowing	15,000	–	30,000	15,000
Repayment of bank borrowing	(15,000)	–	(30,000)	(15,000)
Repayment of principal portion of lease liabilities	(407)	(163)	(604)	(282)
Net cash flows used in financing activities	(407)	(163)	(604)	(282)
Net increase/(decrease) in cash and cash equivalents	7,882	751	5,742	(1,211)
Cash and cash equivalents at beginning of period/year	11,836	13,225	13,976	15,187
Cash and cash equivalents at end of period/year	19,718	13,976	19,718	13,976

D. UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY

Group In RMB'000	Attributable to equity holders of the Company						Total Equity
	Share capital	Premium paid on acquisition of non-controlling interest	Statutory reserve	Accumulated losses	Total	Non-controlling Interest	
At 1 January 2022	83,714	(10,471)	11,979	(27,759)	57,463	2,679	60,142
Total comprehensive income	–	–	–	(3,052)	(3,052)	(69)	(3,121)
At 30 June 2022	83,714	(10,471)	11,979	(30,811)	54,411	2,610	57,021
Total comprehensive income	–	–	–	(508)	(508)	453	(55)
At 31 December 2022	83,714	(10,471)	11,979	(31,319)	53,903	3,063	56,966
At 1 January 2021	83,714	(10,471)	11,602	(28,552)	56,293	1,882	58,175
Total comprehensive income	–	–	–	(299)	(299)	240	(59)
At 30 June 2021	83,714	(10,471)	11,602	(28,851)	55,994	2,122	58,116
Total comprehensive income	–	–	–	1,469	1,469	557	2,026
Transfer to statutory reserve	–	–	377	(377)	–	–	–
At 31 December 2021	83,714	(10,471)	11,979	(27,759)	57,463	2,679	60,142

Company In RMB'000	Share Capital	Accumulated Losses	Total Equity
At 1 January 2022	83,714	(29,239)	54,475
Total comprehensive income	–	2,108	2,108
At 30 June 2022	83,714	(27,131)	56,583
Total comprehensive income	–	(1,116)	(1,116)
At 31 December 2022	83,714	(28,247)	55,467
At 1 January 2021	83,714	(28,708)	55,006
Total comprehensive income	–	559	559
At 30 June 2021	83,714	(28,149)	55,565
Total comprehensive income	–	(1,090)	(1,090)
At 31 December 2021	83,714	(29,239)	54,475

E. Notes to the condensed consolidated financial statements

E1. Corporate information

Pharmesis International Ltd. (the "Company") is a limited liability company incorporated in Singapore and is listed on the Singapore Exchange. The registered office and principal place of business of the Company is located at 5 Kallang Sector #03-02, Singapore 349279.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 12 of the financial statements. There have been no significant changes in the nature of these activities during the year.

The Group operates principally in the People's Republic of China ("PRC").

E2. Basis of Preparation

The condensed financial statements for the twelve months ended 31 December 2022 have been prepared in accordance with SFRS(I) 1-34 Financial Reporting issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

The condensed financial statements are presented in Renminbi ("RMB") which is the Company's functional currency and all values are rounded to the nearest thousands, except when otherwise indicated.

E2.1. New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

E2.2. Use of judgements and estimates

In preparing the condensed financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

E3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

E4. Segment information and revenue information

For management purposes, the Group is organised into business units based on their products, and has 3 reportable operating segments as follows:

- (i) **Western drugs** - refer mainly to chemically formulated drugs.
- (ii) **TCM formulated drugs** - refer to Traditional Chinese Medicine.
- (iii) **Distribution** - This segment refers to agency products and internally manufactured products which are marketed through the distribution arm. Starting from FY2021, the Western drugs and TCM formulated drugs segments will be fully responsible for their own distributions and no longer marketed through the distribution arm.

Analysis by business segment

<u>From 1.1.2022 to 31.12.2022</u>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	13,653	36,716	-	-	50,369
Inter segment	-	-	-	-	-
Total Revenue	13,653	36,716	-	-	50,369
Result					
Segment result	(1,954)	2,275	(166)		155
Unallocated corporate expenses					(2,390)
Profit from operations					(2,235)
Finance income	15	13	-		28
Finance costs	(132)	(819)	-		(951)
Income tax expense	-	(18)	-		(18)
Profit before non-controlling interest					(3,176)
Non-controlling interest					(384)
Net profit attributable to equity holders of the Company					(3,560)
Assets and liabilities					
Segment assets	17,560	78,728	28		96,316
Unallocated corporate assets					1,580
Total assets					97,896
Segment liabilities	4,711	34,857	250		39,818
Unallocated corporate liabilities					1,112
Total liabilities					40,930
Other segment information					
Capital expenditure	92	146	-		238
Depreciation and amortisation	1,018	978	3		1,999
Finance income	(15)	(13)	-		(28)
Finance costs	132	819	-		951
(Write-back of) /allowance for expected credit loss – trade	(30)	226	-		196
Loss on disposal of property, plant and equipment	11	-	-		11

<u>From 1.1.2021 to 31.12.2021</u>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	15,260	37,512	–	–	52,772
Inter segment	–	–	–	–	–
Total Revenue	15,260	37,512	–	–	52,772
Result					
Segment result	817	4,925	(246)		5,496
Unallocated corporate expenses					(2,351)
Profit from operations					3,145
Finance income	7	22	1		30
Finance costs	(141)	(917)	(1)		(1,059)
Income tax expense	–	(149)	–		(149)
Loss before non-controlling interest					1,967
Non-controlling interest					(797)
Net loss attributable to equity holders of the Company					1,170
Assets and liabilities					
Segment assets	22,273	69,695	247		92,215
Unallocated corporate assets					488
Total assets					92,703
Segment liabilities	4,243	27,004	302		31,549
Unallocated corporate liabilities					1,012
Total liabilities					32,561
Other segment information					
Capital expenditure	13	1,569	–		1,582
Depreciation and amortisation	910	859	76		1,845
Finance income	(7)	(22)	(1)		(30)
Finance costs	141	917	1		1,059
(Write-back of) /allowance for expected credit loss – trade	(32)	33	4		5
Loss on disposal of property, plant and equipment	–	6	–		6

<u>From 1.7.2022 to 31.12.2022</u>	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Elimination RMB'000	Group RMB'000
Revenue					
External customers	7,622	23,980	–	–	31,602
Inter segment	–	–	–	–	–
Total Revenue	7,622	23,980	–	–	31,602
Result					
Segment result	(720)	2,337	(85)		1,532
Unallocated corporate expenses					(1,110)
Profit from operations					422
Finance income	6	7	–		13
Finance costs	(70)	(414)	–		(484)
Income tax expense	12	(18)	–		(6)
Profit before non-controlling interest					(55)
Non-controlling interest					(453)
Net profit attributable to equity holders of the Company					(508)
Other segment information					
Capital expenditure	–	(100)	–		(100)
Depreciation and amortisation	505	524	(33)		996
Finance income	(6)	(7)	–		(13)
Finance costs	70	414	–		484
(Write-back of) /allowance for expected credit loss – trade	(86)	132	–		46
Loss on disposal of property, plant and equipment	11	–	–		11
<u>From 1.7.2021 to 31.12.2021</u>					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue					
External customers	7,913	19,700	–	–	27,613
Inter segment	–	–	–	–	–
Total Revenue	7,913	19,700	–	–	27,613
Result					
Segment result	695	3,294	(166)		3,824
Unallocated corporate expenses					(1,091)
Loss from operations					2,733
Finance income	2	9	1		12
Finance costs	(112)	(458)	(1)		(571)
Income tax expense	1	(149)	–		(148)
Loss before non-controlling interest					2,026
Non-controlling interest					(557)
Net loss attributable to equity holders of the Company					1,469

Other segment information

Capital expenditure	4	423	–	427
Depreciation and amortisation	497	440	37	974
Finance income	(2)	(9)	(1)	(12)
Finance costs	112	458	1	571
(Write-back of) /allowance for expected credit loss – trade	(134)	126	9	1
Loss on disposal of property, plant and equipment	–	6	–	6

E4. Disaggregation of Revenue

	Western drugs	TCM formulated drugs	Distribution	Group
	RMB'000	RMB'000	RMB'000	RMB'000
12 months ended 31.12.2022				
Revenue				
Western drugs	13,653	–	–	13,653
TCM formulated drugs	–	36,716	–	36,716
Total Revenue	13,653	36,716	–	50,369
Timing of transfer of goods or services				
At a point in time	13,653	36,716	–	50,369
Primary geographical market				
People's Republic of China	13,653	36,716	–	50,369
	Western drugs	TCM formulated drugs	Distribution	Group
	RMB'000	RMB'000	RMB'000	RMB'000
12 months ended 31.12.2021				
Revenue				
Western drugs	15,260	–	–	15,260
TCM formulated drugs	–	37,512	–	37,512
Total Revenue	15,260	37,512	–	52,772
Timing of transfer of goods or services				
At a point in time	15,260	37,512	–	52,772
Primary geographical market				
People's Republic of China	15,260	37,512	–	52,772

	Western drugs RMB'000	TCM formulated drugs RMB'000	Distribution RMB'000	Group RMB'000
6 months ended 31.12.2022				
Revenue				
Western drugs	7,622	–	–	7,622
TCM formulated drugs	–	23,980	–	23,980
Total Revenue	7,622	23,980	–	31,602
Timing of transfer of goods or services				
At a point in time	7,622	23,980	–	31,602
Primary geographical market				
People's Republic of China	7,622	23,980	–	31,602
6 months ended 31.12.2021				
Revenue				
Western drugs	7,913	–	–	7,913
TCM formulated drugs	–	19,700	–	19,700
Total Revenue	7,913	19,700	–	27,613
Timing of transfer of goods or services				
At a point in time	7,913	19,700	–	27,613
Primary geographical market				
People's Republic of China	7,913	19,700	–	27,613

E5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 31 December 2021:

	<u>Group</u>		<u>Company</u>	
	As at 31.12.22 RMB'000	As at 31.12.21 RMB'000	As at 31.12.22 RMB'000	As at 31.12.21 RMB'000
Group				
Financial assets				
Trade receivables	11,642	12,803	–	–
Other receivables	1,179	1,294	19	18
Cash and cash equivalents	19,718	13,976	1,495	339
Total	32,539	28,073	1,514	357
Financial liabilities				
Bank borrowings	15,000	15,000	–	–
Trade and other payables and accrued liabilities	24,219	15,179	1,056	893
Lease liabilities	1,533	2,137	51	118
Total	40,752	32,316	1,107	1,011

E6. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group			
	6 months ended 31.12.2022 RMB'000	6 months ended 31.12.2021 RMB'000	12 months ended 31.12.2022 RMB'000	12 months ended 31.12.2021 RMB'000
Income tax expense	6	148	18	149
Deferred tax	–	–	–	–
	<u>6</u>	<u>148</u>	<u>18</u>	<u>149</u>

E7. Subsequent events

There are no known subsequent events which have led to adjustments to this set of financial statements.

Other information

- 1(a) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital

There is no change in the Company's issued share capital since the previous financial period ended 31 December 2021.

- 1(b) **To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares as at 31 December 2022 and 31 December 2021: 23,000,000 ordinary shares

- 1(c) **A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

2. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2021.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group and the Company adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”), amendments and interpretations of SFRS(I)s effective for annual periods beginning on or after 1 January 2022. The adoption of these new SFRS(I) did not have any material impact on the financial statements of the Group.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-**

Profit/(loss) per ordinary share	Group			
	6 months ended		Year ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Based on weighted average number of shares (RMB cents)	(2.2)	6.4	(15.5)	5.1
Weighted average number of shares	23,000,000	23,000,000	23,000,000	23,000,000

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- (a) current financial period reported on; and
(b) immediately preceding financial year.

In RMB	Group		Company	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Net asset value(“NAV”) per ordinary share	2.48	2.61	2.41	2.37
No. of shares in computing NAV	23,000,000	23,000,000	23,000,000	23,000,000

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:-**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT

Six Months Ended 31 December 2022 (2nd Half 2022)

The Group's revenue increased by RMB 4.0 million or 14.4% from RMB 27.6 million in 2H 2021 to RMB 31.6 million in 2H 2022. Revenue from Group's non-prescribed drugs segment increased by RMB 4.3 million and revenue from prescribed drugs segment decreased by RMB 0.3 million.

Gross profit margin decreased from 46.2% in 2H 2021 to 45.8% in 2H 2022 mainly due to the increase in revenue from lower margin non-prescribed drugs segment. Other income decreased from RMB 1.9 million in 2H 2021 to RMB 0.3 million in 2H 2022, mainly due to lower government grant.

Selling and distribution costs increased by RMB 1.5 million or 22.8% from RMB 6.9 million in 2H 2021 to RMB 8.4 million for 2H 2022 mainly due to higher advertising and selling expenses. Administrative costs increased by RMB 0.9 million or 16.6% from RMB 5.0 million in 2H 2021 to RMB 5.9 million for 2H 2022 mainly due to higher personnel expenses, social insurance expenses, allowances for expected credit loss, depreciation and others.

Finance income increased from RMB 12,000 in 2H 2021 to RMB 14,000 in 2H 2022, mainly due to higher finance income from cash and cash equivalents. Finance costs decreased from RMB 571,000 in 2H 2021 to RMB 484,000 in 2H 2022 mainly due to lower interest rates.

As a result of the above, the Group recorded net loss after tax attributable to equity holders of the Company of RMB 0.5 million for 2H 2022, as compared to a net profit after tax of RMB 1.5 million for 2H 2021.

Full Year Ended 31 December 2022 ("FY 2022")

The Group's FY 2022 revenue decreased by RMB 2.4 million or 4.6% from RMB 52.8 million in FY 2021 to RMB 50.4 million in FY 2022. Revenue from Group's non-prescribed drugs segment increased by RMB 4.0 million and revenue from prescribed drugs segment decreased by RMB 1.6 million.

Gross profit margin increased slightly from 47.4% in FY 2021 to 47.7% in FY 2022 mainly due to slightly higher margins from non-prescribed drugs segment. Other income decreased by RMB 1.8 million from RMB 2.1 million in FY 2021 to RMB 0.3 million in FY 2022 mainly due to lower government grant in FY2022.

Selling and distribution costs increased by RMB 0.4 million or 2.6% from RMB 14.7 million in FY 2021 to RMB 15.1 million in FY 2022 mainly due to higher advertising and selling expenses. Administrative costs increased by RMB 2.2 million or 24.0% from RMB 9.2 million in FY 2021 to RMB 11.4 million in FY 2022 mainly due to higher personnel expenses, social insurance expenses, allowances for expected credit loss, depreciation and others.

Finance income decreased from RMB 30,000 in FY 2021 to RMB 28,000 in FY 2022, mainly due to lower finance income from cash and cash equivalents. Finance costs decreased from RMB 1.1 million in FY2021 to RMB 1.0 million in FY 2022.

As a result of the above, the Group recorded a net loss attributable to shareholders of RMB 3.6 million for FY 2022 compared to a net profit of RMB 1.2 million for FY 2021.

STATEMENT OF FINANCIAL POSITION

The Group's non-current assets were RMB 53.7 million as at 31 December 2022, a decrease of RMB 1.9 million from RMB 55.6 million as at 31 December 2021. This was mainly due to the decrease in property, plant and equipment and right-of-use assets.

The Group's current assets were RMB 44.1 million as at 31 December 2022, an increase of RMB 7.0 million from RMB 37.1 million as at 31 December 2021. This was mainly due to higher inventories, prepaid expenses, cash and cash equivalents and lower trade receivables & other receivables.

The Group's current liabilities were RMB 39.6 million as at 31 December 2022, an increase of RMB 8.8 million from RMB 30.8 million as at 31 December 2021 mainly due to increase in trade payables, accrued liabilities & other payables and decrease in lease liabilities, tax payable.

The Group's non-current liabilities were RMB 1.3 million as at 31 December 2022, a decrease of RMB 0.4 million from RMB 1.7 million as at 31 December 2021 due to decrease in lease liabilities.

STATEMENT OF CASH FLOWS

The Group's net cash flow from operating activities for FY2022 was RMB 6.6 million, mainly due to cash generated from operations, changes in working capital and finance costs paid.

Net cash used in investing activities for FY2022 amounted to RMB 0.2 million, incurred mainly for the acquisition of plant and equipment.

Net cash used in financing activities for FY2022 amounted to RMB 0.6 million, incurred mainly for the repayment of lease liabilities.

As at 31 December 2022, the Group had cash and cash equivalents of RMB 19.7 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

In line with the prospect statement made in 1H FY2022.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In December 2022, China has ended its zero Covid policy, which has removed the domestic economic uncertainties due to the COVID-19 pandemic. However, the China government is likely to continue the expansion of the list of drugs and medical consumables included in China's bulk-buy drug procurement programme this year. The outlook for the year ahead remains challenging as our drugs continue to face intense competition, inflationary and pricing pressure. Management will continue to operate cautiously, improving sales and managing costs effectively.

11. Dividend

(a) Current Financial Period Reported On

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. **If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.**

No dividends have been recommended for the current financial period ended 31 December 2022 in view of the accumulated losses.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has not obtained a general mandate from shareholders for IPTs.

14. **Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1).**

The Company has procured all the required undertakings as required under Rule 720(1).

15. **Disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use.**

Not applicable.

16. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to item 8 above for the analysis.

17. **A breakdown of sales.**

		Group		
		2022	2021	Increase / (Decrease)
		RMB'000	RMB'000	%
First Half				
(a)	Revenue	18,767	25,159	(25.4)
(b)	Operating loss after tax before non-controlling interest	(3,121)	(59)	5,190
Second Half				
(a)	Revenue	31,602	27,613	14.4
(b)	Operating (loss)/profit after tax before non-controlling interest	(55)	2,026	n.m

18. **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

- 19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

There is no person occupying a managerial position in the Company or any of its subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

**WU XUEDAN
EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER**

28 February 2023