UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED
大健康國際集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2211)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2024

ANNUAL RESULTS HIGHLIGHTS

	Unit	**2024**	2023	Change
Revenue	*RMB million*	**1,089.0**	1,297.0	-16.0%
Gross profit	*RMB million*	**179.9**	213.8	-15.9%
Operating profit (loss)	*RMB million*	**0.1**	(98.4)	+98.5 RMB million
Profit (Loss) for the year	*RMB million*	**0.6**	(106.1)	+106.7 RMB million
Basic earnings (loss) per share	*RMB cents*	**0.06**	(18.07)	+18.13 RMB cents
Gross margin	%	**16.5**	16.5	+0 pp
Operating profit (loss) margin	%	**0.01**	(7.6)	+7.61 pp
Net profit (loss) margin	%	**0.1**	(8.2)	+8.3 pp

The board (the "**Board**") of directors (the "**Directors**") of Universal Health International Group Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated results of the Group for the year ended 30 June 2024 (the "**Year**") together with the comparative figures for the year ended 30 June 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2024**	2023
		RMB'000	*RMB'000*
Revenue	*2*	**1,089,037**	1,297,036
Cost of sales	*4*	**(909,152)**	(1,083,190)
Gross profit		**179,885**	213,846
Selling and marketing expenses	*4*	**(165,034)**	(245,245)
Administrative expenses	*4*	**(40,565)**	(57,872)
Impairment loss on investment in an associate	*4*	**–**	(10,433)
Other income		**1,638**	2,931
Other gains (losses) – net		**28,315**	(1,986)
Change in fair value of biological assets		**(4,157)**	335
Operating profit (loss)		**82**	(98,424)
Finance income	*5*	**595**	8,788
Finance costs	*5*	**(5,202)**	(1,510)
Finance (costs) income – net	*5*	**(4,607)**	7,278
Share of post-tax results of an associate		**1,733**	(20,959)
Loss before income tax		**(2,792)**	(112,105)
Income tax credit	*6*	**3,372**	5,990
Profit (Loss) for the year		**580**	(106,115)

	Note	**2024** **RMB'000**	2023 RMB'000
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
Fair value changes in equity instruments designated as at fair value through other comprehensive income		**588**	370
Item that is or may be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**909**	53
Total other comprehensive income for the year		**1,497**	423
Total comprehensive income (loss) for the year		**2,077**	(105,692)
Profit (Loss) attributable to:			
– Owners of the Company		**413**	(105,397)
– Non-controlling interests		**167**	(718)
		580	(106,115)
Total comprehensive income (loss) attributable to:			
– Owners of the Company		**1,910**	(104,974)
– Non-controlling interests		**167**	(718)
		2,077	(105,692)
Earnings (Loss) per share attributable to owners of the Company for the year *(RMB cents)*			
– Basic and diluted	7	**0.06**	(18.07)

CONSOLIDATED BALANCE SHEET

	Note	**2024**	2023
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**191,862**	206,684
Right-of-use assets		**4,684**	5,406
Intangible assets		**–**	–
Investment in an associate		**84,135**	56,134
Equity instruments designated as at fair value through other comprehensive income		**13,830**	13,381
Biological assets		**94,339**	98,496
Deferred income tax assets		**8,305**	5,990
Total non-current assets		**397,155**	386,091
Current assets			
Trade and other receivables	*9*	**106,857**	103,169
Income tax recoverable		**2,324**	2,640
Inventories		**122,798**	164,128
Restricted cash		**27,380**	39,841
Cash and cash equivalents		**36,363**	42,995
Total current assets		**295,722**	352,773
Total assets		**692,877**	738,864

	Note	**2024**	2023
	Note	***RMB'000***	*RMB'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**53,102**	43,587
Reserves		**1,771,863**	1,743,801
Accumulated losses		**(1,472,247)**	(1,472,660)
		352,718	314,728
Non-controlling interests		**167**	–
Total equity		**352,885**	314,728
LIABILITIES			
Non-current liabilities			
Borrowings		**40,300**	40,000
Lease liabilities		**–**	310
Total non-current liabilities		**40,300**	40,310
Current liabilities			
Trade and other payables	*10*	**269,392**	383,517
Borrowings		**30,300**	–
Lease liabilities		**–**	309
Total current liabilities		**299,692**	383,826
Total liabilities		**339,992**	424,136
Total equity and liabilities		**692,877**	738,864

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of preparation

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

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which collective term includes all IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by International Accounting Standards Board and the applicable disclosure requirements of the Companies Ordinance Cap. 622. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

1.2 Going concern

During the Year, the Group recorded net cash outflow used in operations of RMB101,735,000 and the Group's current liabilities exceeded its current assets by RMB3,970,000 as at 30 June 2024.

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

(a) The Group continues to negotiate for external financing, including but not limited to, obtain further loan facilities, renew or refinance the loan facilities upon maturity and various from of capital fund raising. During the Year, the Company obtained new bank loans with aggregate principal amount of RMB30,600,000 and successfully raised net proceeds of RMB9,812,000 through the issuance of new shares under the General Mandate, which were used as working capital for the Group. As at 30 June 2024, the Group had available unutilised banking facility of RMB50,000,000 and loan facility from the associate for an amount of RMB40,000,000;

(b) The Group continues to improve efficiency by implementing measures to tighten cost control over various operating expenses in order to enhance its profitability and to improve cash flow from its operations in future. During the Year, the Group has closed a number of loss-making retail stores to minimize operating cash outflows. The management believes that these measures will result in improvement in operating profitability and the resulting cash flows; and

(c) The Group is actively exploring the opportunity of obtaining additional source of cash inflows from sales of its owned assets/investments.

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

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

1.3 Accounting policies

(a) New and amended standards adopted by the Group

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2023 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standards that are relevant to the Group and effective from the current year:

Amendments to IAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments have no effect on the measurement, recognition or presentation of any items in the consolidated financial statements. Management has reviewed the disclosure of accounting policy information and considered it is consistent with the amendments.

Amendments to IAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

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

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

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

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

A number of new and amended standards are effective for annual periods beginning on or after 1 January 2024, and have not been applied in preparing these consolidated financial statements. The Group will apply the new and amended standards when they become effective. The Group is in the process of making an assessment of the impact of the new and amended standards and does not expect that the adoption of these new and amended standards will result in any material impact on the consolidated financial statements of the Group.

		Effective for annual years beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards Volume 11	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

2. REVENUE

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

	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers (a)	**1,089,037**	1,297,036

(a) Disaggregation of revenue

	For the year ended 30 June 2024		
	Distributions	**Retails**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Major products			
Prescribed drugs	**133,186**	**127,675**	**260,861**
Non-prescribed drugs	**606,442**	**142,854**	**749,296**
Healthcare products	**93,545**	**52,229**	**145,774**
Other pharmaceutical products	**49,357**	**9,409**	**58,766**
	882,530	**332,167**	**1,214,697**
Eliminations	**(125,660)**	**–**	**(125,660)**
Revenue from external customers	**756,870**	**332,167**	**1,089,037**
Timing of revenue recognition:			
Products transferred at a point in time	**756,870**	**332,167**	**1,089,037**

	For the year ended 30 June 2023		
	Distributions	Retails	Total
	RMB'000	*RMB'000*	*RMB'000*
Major products			
Prescribed drugs	172,572	76,708	249,280
Non-prescribed drugs	738,077	202,851	940,928
Healthcare products	110,473	72,491	182,964
Other pharmaceutical products	58,345	13,232	71,577
	1,079,467	365,282	1,444,749
Eliminations	(147,713)	–	(147,713)
Revenue from external customers	931,754	365,282	1,297,036
Timing of revenue recognition:			
Products transferred at a point in time	931,754	365,282	1,297,036

3. SEGMENT INFORMATION

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

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

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

The Group's principal market is the northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC. No single customer accounted for 10% or more of the Group's total revenues for the years ended 30 June 2024 and 2023.

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

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

The segment information for the year ended 30 June 2024 and as at 30 June 2024 is as follows:

	For the year ended 30 June 2024			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**882,530**	**332,167**	**–**	**1,214,697**
Inter-segment revenue	**(125,660)**	**–**	**–**	**(125,660)**
Revenue from external customers	**756,870**	**332,167**	**–**	**1,089,037**
Adjusted EBITDA	**32,957**	**(40,870)**	**(5,393)**	**(13,306)**
Depreciation and amortisation	**(14,030)**	**–**	**–**	**(14,030)**
Finance income	**402**	**192**	**1**	**595**
Finance costs	**(1,407)**	**73**	**(3,868)**	**(5,202)**
Loss on disposal of property, plant and equipment	**(648)**	**–**	**–**	**(648)**
Gain on disposal of subsidiaries	**27,821**	**245**	**–**	**28,066**
Share of post-tax results of an associate	**1,733**	**–**	**–**	**1,733**
Income tax credit (expense)	**3,390**	**(18)**	**–**	**3,372**
Profit (Loss) for the year	**50,218**	**(40,378)**	**(9,260)**	**580**
Additions of non-current assets (excluding financial assets and deferred income tax assets)	**17**	**–**	**–**	**17**

	As at 30 June 2024			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	**1,252,594**	**459,367**	**1,395,099**	**3,107,060**
Inter-segment assets	**(706,254)**	**(328,830)**	**(1,379,099)**	**(2,414,183)**
Total assets	**546,340**	**130,537**	**16,000**	**692,877**
Total liabilities before eliminations	**1,061,663**	**868,680**	**2,845**	**1,933,188**
Inter-segment liabilities	**(839,091)**	**(753,833)**	**(272)**	**(1,593,196)**
Total liabilities	**222,572**	**114,847**	**2,573**	**339,992**
Investment in an associate	**84,135**	**–**	**–**	**84,135**

The segment information for the year ended 30 June 2023 and as at 30 June 2023 is as follows:

	For the year ended 30 June 2023			
	Distributions	Retails	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,079,467	365,282	–	1,444,749
Inter-segment revenue	(147,713)	–	–	(147,713)
Revenue from external customers	931,754	365,282	–	1,297,036
Adjusted EBITDA	39,804	(105,921)	(5,639)	(71,756)
Impairment loss on investment in an associate	(10,433)	–	–	(10,433)
Depreciation and amortisation	(16,235)	–	–	(16,235)
Finance income	573	375	7,840	8,788
Finance costs	(1,366)	(65)	(79)	(1,510)
Share of post-tax results of an associate	(20,959)	–	–	(20,959)
Income tax credit	5,990	–	–	5,990
(Loss) Profit for the year	(2,626)	(105,611)	2,122	(106,115)
Additions of non-current assets (excluding financial assets and deferred income tax assets)	981	–	–	981

	As at 30 June 2023			
	Distributions	Retails	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	1,271,471	493,946	1,394,895	3,160,312
Inter-segment assets	(698,303)	(343,885)	(1,379,260)	(2,421,448)
Total assets	573,168	150,061	15,635	738,864
Total liabilities before eliminations	1,126,288	876,481	2,832	2,005,601
Inter-segment liabilities	(837,081)	(742,940)	(1,444)	(1,581,465)
Total liabilities	289,207	133,541	1,388	424,136
Investment in an associate	56,134	–	–	56,134

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

Geographical information

All revenue of the Group for the years ended 30 June 2024 and 2023 was derived in the PRC, the place of domicile of the relevant group entities.

The Group's non-current assets (excluding equity instruments designated as at FVOCI and deferred income tax assets) are located in the PRC.

4. EXPENSES BY NATURE

	2024	2023
	RMB'000	*RMB'000*
Costs of inventories sold	**905,828**	1,079,811
Employee benefit expenses	**113,440**	183,829
Lease payments on short-term leases	**40,604**	51,761
Transportation and related charges	**25,964**	34,887
Depreciation of property, plant and equipment	**13,691**	15,769
Depreciation of right-of-use assets	**339**	466
Impairment loss on investment in an associate	**–**	10,433
Other tax expenses	**5,270**	6,149
Office and communication expenses	**3,186**	4,760
Auditor's remuneration	**2,481**	2,308
Electricity and other utility fees	**1,564**	2,024
Professional fees	**1,188**	1,510
Travelling and meeting expenses	**387**	551
Advertising and other marketing expenses	**248**	1,360
Other expenses	**561**	1,122
	1,114,751	1,396,740

5. FINANCE (COSTS) INCOME – NET

	2024	2023
	RMB'000	*RMB'000*
Finance income		
Exchange gains – net	**–**	7,863
Interest income	**595**	925
	595	8,788
Finance costs		
Interest on lease liabilities	**(29)**	(70)
Interest on borrowings	**(1,327)**	(1,200)
Other charges	**(212)**	(240)
Exchange losses – net	**(3,634)**	–
	(5,202)	(1,510)
Finance (costs) income – net	**(4,607)**	7,278

6. INCOME TAX CREDIT

	2024	2023
	RMB'000	*RMB'000*
PRC enterprise income tax ("**EIT**")		
– Current income tax	**18**	–
Deferred income tax	**(3,390)**	(5,990)
Total income tax credit	**(3,372)**	(5,990)

Hong Kong profits tax has not been provided as there were no assessable profits subject to Hong Kong profits tax for the years ended 30 June 2024 and 2023. The subsidiaries of the Group in the PRC are subject to corporate income tax at a rate of 25% (2023: 25%) on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations, except for enterprises which are allowed to enjoy the preferential policies and provisions as discussed below:

Shenyang Heping Shengshi Weikang General Clinic Co., Ltd.* meets the criteria of Micro-enterprise. Pursuant to the Announcement of Ministry of Finance and the State Administration of Taxation No. 12 of 2023 (《財政部稅務總局公告2023年第12號》) and the Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023 (《財政部稅務總局公告2023 年第6號》), Micro-enterprise could enjoy an EIT at 20% on the assessable profits below RMB3,000,000 after reduction of 75% of assessable profits.

* English translation for identification purposes only.

7. EARNINGS (LOSS) PER SHARE

(a) Basic

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

	2024	2023
Profit (Loss) attributable to owners of the Company *(in RMB'000)*	**413**	(105,397)
Weighted average number of ordinary shares in issue *(in thousands)*	**668,644**	583,115
Basic earnings (loss) per share *(RMB cents)*	**0.06**	(18.07)

The number of shares for the purpose of calculating basic earnings (loss) per share for the years ended 30 June 2024 and 2023 have been adjusted to reflect the subscription shares issued during the Year.

(b) Diluted

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

As the effect of the assumed conversion of the potential ordinary shares from exercising the Company's share options is anti-dilutive, the basic earnings (loss) per share is equal to diluted earnings (loss) per share for the years ended 30 June 2024 and 2023.

8. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the Year (2023: Nil).

9. TRADE AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables *(Note)*		
– From third parties	**85,038**	80,115
Prepayments		
– Prepayments to third parties	**15,124**	15,456
– Tax input credits – value added tax	**3,841**	3,885
	18,965	19,341
Other receivables		
– Deposits	**562**	563
– Others	**2,292**	3,150
	2,854	3,713
	106,857	103,169

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

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

	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**76,653**	74,264
4 to 6 months	**7,885**	5,851
7 to 12 months	**500**	–
	85,038	80,115

10. TRADE AND OTHER PAYABLES

	Note	**2024**	2023
		RMB'000	*RMB'000*
Trade payables			
– To third parties	*(a)*	**211,165**	306,436
Notes payables	*(b)*	**31,028**	45,750
Other payables		**27,199**	31,331
		58,227	77,081
		269,392	383,517

(a) The credit period of trade payables is normally within 90 (2023: 90) days. Details of ageing analysis based on recognition date of trade payables are as follows:

	2024	2023
	RMB'000	*RMB'000*
Up to 3 months	**162,590**	212,621
4 to 6 months	**8,644**	87,736
7 to 12 months	**11,645**	6,079
1 to 2 years	**28,286**	–
	211,165	306,436

(b) The credit period of notes payables is normally within 90 – 180 (2023: 90 – 180) days. As at 30 June 2024, the notes payables of RMB24,903,000 (2023: RMB37,185,000) was secured by restricted cash of RMB27,380,000 (2023: RMB39,841,000) and the remaining balance of RMB6,125,000 (2023: RMB8,565,000) was secured by the buildings with carrying amount of RMB23,876,000 (2023: RMB27,337,000). As at 30 June 2024 and 2023, the notes payables are expected to be settled within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the past year, China's industries were under pressure to make structural adjustments, and the overall downward pressure on the economy also increased. In this regard, the PRC has established a new pattern for economic development of "accelerating the construction of new development patterns, promoting high-quality development, coordinating development and security, adhering to the principle of seeking progress amidst stability, promoting stability through progress, and making construction before destruction"; meanwhile, in the face of the complicated international situation, the PRC has continued to implement the concept of "intensifying reform and opening up, building a community with a shared future for mankind and constructing a better world".

Focusing on medicine and medical treatment, the healthcare industry covers a series of healthcare areas from birth to death, such as healthy and smart elderly care, rehabilitation and physiotherapy, healthcare, and intelligent technology. Currently, as one of the pillar industries of the national economy, the pharmaceutical industry is directly related to people's health and quality of life, and has a significant impact on the economy and society. According to the Chinese Health Association, the healthcare industry is expected to reach RMB17.4 trillion by 2025 and RMB29.1 trillion by 2030.

According to the Key Tasks for Deepening Reform of the Medical and Healthcare System in 2024 (《深化醫藥衛生體制改革2024年重點工作任務》), the Company implemented a series of key tasks to further optimize the pharmaceutical and healthcare system, improve the supply capacity of pharmaceuticals and the efficiency of medical services, and practically benefited the people. The key tasks included upgrading the quality of healthcare development and enhancing the sense of achievements, happiness and security of the people; strengthening the promotion of the integrated and coordinated development of healthcare, medical care and pharmaceuticals; further promoting the experience of Sanming City's healthcare reform and carrying out reforms in accordance with local conditions; promoting centralized procurement of medicines and medical consumables with a view to improving the quality and expanding the scope; deepening the reform of healthcare service pricing and the healthcare payment method; promoting the development of public hospitals and the medical and health care service system; and enhancing regulatory innovation in the pharmaceutical industry. The overall objective is to improve people's access to equitable and affordable healthcare services and to promote high-quality development of the healthcare sector.

In 2024, the Government Work Report mentioned "innovative drugs" for the first time, and listed innovative drugs as one of the emerging industries to be actively cultivated. In July 2024, the State Council executive meeting considered and passed the Implementation Plan for Supporting Innovative Drug Development Across the Whole Chain (《全鏈條支持創新藥發展實施方案》), which requires strengthening the policy guarantee in the whole chain, coordinating the use of policies on price management, payment of medical insurance, commercial insurance, drug dispensing and use, investment and financing, etc., optimizing the review and approval and the assessment mechanism of medical institutions, and jointly boosting the breakthrough development of innovative drugs. The scope of support covers the research and development, review, application, payment and financing, etc. It is expected that (i) the research and development speed of innovative drugs will be accelerated; (ii) the research and development cost will be reduced; (iii) the research and development quality will be improved; and (iv) the return on investment will be enhanced.

Traditional Chinese medicine gradually becomes an international player, and well-known enterprises engaged in developing novel therapies have emerged both at home and abroad. At the same time, public awareness of self-care has been steadily increasing after the COVID-19 pandemic (the "**Pandemic**"). Additionally, the government's support for the industry has been consistently strengthened, providing a solid foundation for the industry's future development.

BUSINESS REVIEW

During the Year, under the leadership of Mr. Chu Chuanfu, the chairman (the "**Chairman**") of the Board, and the members of the management of the Group, and with the efforts of all employees, the Group aimed at and focused on the pharmaceutical healthcare field, as well as actively promoted the development of traditional physical retail chain stores and distribution network while facing more intensive competition. Meanwhile, after taking into the account the impact of the aging and industry development trends, the Group made timely deployment of "Direct to Patient (DTP) pharmacies" and endeavored to explore new business model.

As public awareness of self-management of health increased, public demand for medicine consumption rose, which drove the continuous growth in relevant domestic industries during the Year. The Group was committed to strengthening business training for employees of retail chain stores and upgrading their job skills to provide medicine sales services to local people, actively organize the supply of goods and equip people with needed medicines and equipment. In some areas, telephone ordering for home delivery of medicine and/or mobile internet reservation for products had been carried out in order to maintain business continuity and form a complementary online and offline operation model.

Chain Retail Business

During the Year, the Group held various promotion activities so as to enhance the Group's presence in the regions and competitiveness of chain retail business. The Group has been actively exploring digital transformation and has built the foundation for network development. In the meantime, the Group has strengthened its Online-to-Offline (O2O) platform construction, increased the online orders and formed an online and offline interactive operation system. In addition, the Group has also continued to explore and establish "DTP pharmacies" to better serve the public's health while improving the flexibility of the Group's operating mechanism and increasing profit growth points. At the end of the Year, the Group had a total of 203 (2023: 251) chain stores. The Group recorded sales revenue for retail business of RMB332.1 million for the Year (2023: RMB365.3 million), representing a year-on-year decrease of 9.1%.

Nationwide Distribution Business

As at 30 June 2024, the Group had approximately 1,515 distributors and three large-scale distribution logistics centers. The Group made appropriate promotion in its distribution system, continued to optimise screening and maintaining of high-quality customers. However, in this circumstance, the Group's distribution business recorded sales revenue of RMB756.9 million (2023: RMB931.7 million), representing a year-on-year decrease of 18.8%.

Direct-supply and Sales Model

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

Branded Products Operation

The Group continued to maintain the operational pattern of the original branded products and adjusted the brand structure according to actual operational requirements to eliminate certain inappropriate products and add new products, so as to maintain the competitiveness of the original branded products, whilst increase the presence of new branded products. During the Year, a net decrease of 26 branded products was recorded. Hence, there were a total of 538 branded products in operation as of the end of the Year.

Intelligent Warehouse Construction

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

Brand Image Promotion

With traditional advantages in continuous brand promotion and marketing, the Group strengthened its presence and competitiveness, and mitigated the further decline in operating performance. During the Year, promotional and marketing activities were launched for product brands and enterprise brands by continuously leveraging on the internet, WeChat and live platform. In addition, the Group participated in the public charity. Especially during the outbreak of the Pandemic, it carried out activities of promoting health information for free as a way to enhance the reputation of the Company and fulfill its corporate social responsibilities.

Institute School Training

According to the characteristics of new era, new economy, new technology and new retail, the Group continued to optimize the training activities of the institute and made best use of the business institute on the Group's business development, talent nurturing and public welfare promotion. Moreover, the Group took the advantage of its lead in establishing business institute in the industry, strengthened its cohesion as well as enhanced the mode of thinking of employees in response to the transformation and upgrade of the Company's business. During the Year, 16 online video internal trainings in total had been held by the Company.

Membership Service

During the Year, the Group provided follow-up services and promotion benefits for approximately 3.66 million offline members, and provided online health knowledge, product knowledge and other dissemination services, so as to enhance the sense of affiliation and positivity of members while boosting their loyalty, and thus promoting a healthy image of the Company. Meanwhile, the Group provided social value-added services in various aspects such as the supply of public toilets, cold shelters, lost children service centres and epidemic prevention station for courier; and continued to launch the public welfare activities, such as "Love China", with a view to building up its positive corporate image.

Industry Alliance

During the Year, the Company proactively participated in the alliance activities. The Chairman and vice chairman attended on behalf of the Group the tours and forums organised by the alliance to seize the theme of era development, keep abreast of the industry information, promote development of branded products, strengthen the Company's interaction, exchange with industry alliance and constantly enhance the Group's influence. Meanwhile, leveraging on China's national strategic guidance of "Healthy China (健康中國)", "Beautiful China (美麗中國)", "Belt and Road (一帶一路)", "Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區)" and "Hainan Free Trade Port (海南自由貿易港)", the Company gathered industry experience and focused on technological innovation to seek further transformation and upgrade of the Group's business.

FINANCIAL REVIEW

The Group recorded revenue of RMB1,089.0 million for the Year (2023: RMB1,297.0 million). Profit attributable to owners of the Company was RMB0.4 million for the Year (2023: Loss of RMB105.4 million). Earnings per share for the Year was RMB0.06 cents (2023: Loss per share was RMB18.07 cents). The decrease in loss attributable to owners of the Company was mainly due to the continuous improvement of operating efficiency through implementing measures to tighten cost control over various operating expenses in order to enhance its profitability in future. During the Year, the Group closed a number of loss-making retail stores to minimise operating loss.

Revenue

During the Year, the Group recorded revenue of RMB1,089.0 million (2023: RMB1,297.0 million). Basically, benefit from the lifting of the pandemic prevention and control, the customer flow of the physical stores should gradually increase. However, the outcome was not as expected due to the impact of new national policies. The Group actively strives to build brand effects and develop new marketing strategies to maintain the Group's sales volume.

Analysis of revenue by business segment

	Revenue (RMB million) Year ended 30 June			Percentage (%) of revenue Year ended 30 June		
	2024	2023	Change	**2024**	2023	Change
Retails	**332.1**	365.3	-9.1%	**30.5**	28.2	+2.3pp
Distributions	**756.9**	931.7	-18.8%	**69.5**	71.8	-2.3pp
	1,089.0	1,297.0		**100.0**	100.0	

Retail Business Segment

As at 30 June 2024, the Group had 203 (2023: 251) retail pharmacies in total, of which 155 (2023: 166) were located in Heilongjiang, 47 (2023: 84) were located in Liaoning and 1 (2023: 1) self-operated retail pharmacy was located in Hong Kong.

Distribution Business Segment

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

During the Year, the Group had a nationwide distribution network covering approximately 1,515 (2023: 1,656) active customers, among which, approximately 1,041 (2023: 1,082) pharmaceutical retailers, hospitals and clinics and approximately 474 (2023: 574) distributors.

Gross profit

Gross profit of the Group for the Year was RMB179.9 million (2023: RMB213.8 million). Overall gross margin maintained at 16.5% in both years.

Analysis of gross profit by business segment

	Gross profit (RMB million) Year ended 30 June			Gross margin (%) Year ended 30 June		
	2024	2023	Change	**2024**	2023	Change
Retails	**93.5**	99.3	-5.8%	**28.2**	27.2	+1.0pp
Distributions	**86.4**	114.5	-24.5%	**11.4**	12.3	-0.9pp
	179.9	213.8				

Selling and marketing expenses

Selling and marketing expenses for the Year was RMB165.0 million (2023: RMB245.2 million) and accounted for 15.2% (2023: 18.9%) of the Group's revenue. The decrease in selling and marketing expenses was mainly due to the decrease in employee benefit expenses and rental expenses.

Administrative expenses

Administrative expenses for the Year was RMB40.6 million (2023: RMB57.9 million) and accounted for 3.7% (2023: 4.5%) of the Group's revenue. The decrease in administrative expenses was mainly due to the decrease in employee benefit expenses.

Finance (costs) income – net

Net finance costs for the Year was RMB4.6 million (2023: Net finance income of RMB7.3 million). The increase in net finance cost was mainly due to the increase in exchange losses.

Income tax credit

Income tax credit for the Year was RMB3.4 million (2023: RMB6.0 million). The decrease in income tax credit was mainly due to less deferred tax assets was recognised in the Year.

LIQUIDITY AND CAPITAL RESOURCES

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

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

As at 30 June 2024, the Group's unpledged cash and cash equivalents were RMB36.4 million in aggregate (2023: RMB43.0 million), and the Group's net current liabilities were RMB4.0 million (2023: RMB31.1 million).

During the Year, net cash flows used in operating activities amounted to RMB101.7 million (2023: RMB18.2 million). The increase in cash flows used in operating activities was mainly attributable to the increase in cash outflow for the settlement of trade and other payables.

During the Year, the Group had capital expenditure of RMB0.02 million (2023: RMB1.0 million).

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

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk is insignificant and mainly arises from certain bank deposits that are denominated in Hong Kong dollars and United States dollars. As at 30 June 2024, the Group had cash and bank balances of RMB36.4 million, of which the equivalent of RMB1.2 million was denominated in Hong Kong dollars and United States dollars.

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

CAPITAL STRUCTURE

On 28 June 2024 the Company allotted and issued a total of 133,509,926 new shares of the Company (the "**Share(s)**") to four subscribers (the "**Subscription**"), who are independent third parties, under general mandate at the subscription price of HKD0.08 per Share. The new Shares issued represent approximately 16.67% of the total issued Shares as enlarged by such new Shares. Net proceeds of approximately HKD10.6 million were raised.

For details of the Subscription, please refer to the announcement of the Company dated 12 June 2024. As at 30 June 2024, 801,059,558 ordinary Shares of US$0.01 were issued by the Company.

As at 30 June 2024, the Group had total borrowings of RMB70.6 million (2023: RMB40 million) from an associate and banks (2023: an associate), carrying an interest rate ranging from 3% to 12.56% (2023: 3%) per annum.

The gearing ratio of the Group as at 30 June 2024, calculated as net debt divided by sum of total equity, was 9.7% (2023: N/A).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2024, the Group had no significant contingent liabilities (2023: Nil).

As at 30 June 2024, the notes payables of RMB24.9 million (2023: RMB37.2 million) was secured by restricted cash of RMB27.4 million (2023: RMB39.8 million) and the notes payables of RMB6.1 million (2023: RMB8.6 million) was secured by the buildings of the Group with carrying amount of RMB23.9 million (2023: RMB27.3 million). The borrowings of RMB30.0 million (2023: Nil) was secured by the buildings of the Group with carrying amounts of RMB163.7 million (2023: Nil).

HUMAN RESOURCES

As at 30 June 2024, the Group had 1,286 (2023: 2,555) full-time employees with total employee benefit expenses amounted to RMB113.4 million for the Year (2023: RMB183.8 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews on most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based compensation partly depends on the employee's job function and seniority. Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. Meanwhile, the Group endeavours to provide its employees with a safe workplace and structured training programs.

FUTURE PLAN

Looking forward, the Group will concentrate on universal health, focus on the pharmaceutical industry, and timely divestiture of subsidiary industries other than the main business. With a view to stabilizing and optimising the existing retail chain network and distribution system, it will further explore the structural transformation and digital upgrading of the "supply-side" reform with focus on the development of the following areas:

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

Secondly, "Platform+" strategy is adopted to expand the value-added service items of stores to meet the growing demand of consumers. With the change in living environment, people pay more attention to health, resulting in increasing demand for prevention and treatment. In particular, the Pandemic has further reminded the public of the importance of health care and immunity. The Group will adopt new technological methods according to the new situation, or introducing resources in the field of universal health in the form of partners, to enhance the service capabilities of terminal stores and open up new areas such as appearance economy, chronic diseases control of elderly and control of home-living health, adapt to the market needs in the new situation.

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

Therefore, by leveraging the network layout advantages of traditional industries and grafting the new economic model and carrying out changes in franchise methods, the Group will make efforts to facilitate the optimization and digital transformation of the Group's operation structure, and make plans for a new development cycle with the wing of new engine for the Company, so as to maintain the Group as one of the industrial leaders in terms of the main pharmaceutical business and operation channel innovation.

EVENTS AFTER THE YEAR

No important event has occurred after 30 June 2024 and up to the date of this announcement, being the end of the financial year under review, which would affect the Group.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year (2023: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company will be held on Thursday, 12 December 2024 (the "**2024 AGM**").

The register of members of the Company will be closed from Monday, 9 December 2024, to Thursday, 12 December 2024, both days inclusive, in order to determine the identity of the shareholders of the Company (the "**Shareholders**") who are entitled to attend the 2024 AGM. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 6 December 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the Year, except for deviation from code provision C.2.1 of the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year, despite that the responsibilities of the chairman and the chief executive officer of the Company vested in Mr. Chu Chuanfu (the Chairman, an executive Director, the chief executive officer and the chief operation officer), all major decisions are made in consultation with the Board. The Board considers that there is sufficient balance of power and the current corporate arrangement maintains a strong management position of the Company.

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

AUDIT COMMITTEE

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

SCOPE OF WORK OF FORVIS MAZARS CPA LIMITED

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries has been made with all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code throughout the Year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PUBLICATION OF THE ANNUAL RESULTS AND 2023/24 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This preliminary annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uhighl.com). The 2023/24 annual report containing all the information required by the Listing Rules will be despatched to the Shareholders and made available on the abovementioned websites in due course.

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

Hong Kong, 25 September 2024

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