
Sihuan Strides (HK) Limited

Report of the Directors and Financial Statements

For the year ended 31 December 2023



SIHUAN STRIDES (HK) LIMITED

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SIHUAN STRIDES (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Sihuan Strides (HK) Limited (the "Company") for the year ended 31 December 2023.

Principal activities and business review

The principal activities of the Company are holding and developing various pharmaceutical products and marketing, distributing and commercialization of pharmaceutical formulations. There were no significant changes in the nature of the Company's principal activities during the year.

The Company falls within reporting exemption for the year. Accordingly, the Company is exempted from preparing a business review.

Recommended dividend

The directors do not recommend the payment of any dividend in respect of the year.

Shares issued

Details of movements in the Company's share capital during the year, together with the reasons therefor, are set out in note 13 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Mr. Mohana Kumar Pillai
Ms. Chen Yanling
Mr. Venkatesh Kailasanathan
Ms. Miao Guili
Dr. Ding Zuohan (resigned on 7 November 2023)
Ms. Zhan Fuxia (appointed on 7 November 2023)

In accordance with the Articles of Association of the Company, the retiring Directors, being eligible, would offer themselves for re-election at the Company's forthcoming Annual General Meeting.

Directors' interests

At no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Company's directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in transactions, arrangements or contracts

The directors had no material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SIHUAN STRIDES (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Permitted Indemnity provision

At no time during the period and up to the date of this report, there was or is any permitted indemnity provision being in force for the benefit of any directors of the Company or of its associated company.

Events after the reporting period

There is no subsequent event for the Company after the reporting period as set out in note 17 to the financial statements.

Auditors

Ernst & Young retire and a resolution for the reappointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Miao Guili

Hong Kong
20 May 2024



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Independent auditor's report

To the members of Sihuan Strides (HK) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Sihuan Strides (HK) Limited (the "Company") set out on pages 6 to 21, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)
To the members of Sihuan Strides (HK) Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

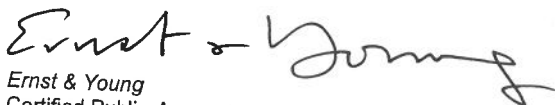
Independent auditor's report (continued)
To the members of Sihuan Strides (HK) Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Certified Public Accountants
Hong Kong
20 May 2024

SIHUAN STRIDES (HK) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	2023 USD	2022 USD
Other income and gains-net			
Administrative expenses	4	252	64
		<u>(144,424)</u>	<u>(209,379)</u>
LOSS BEFORE TAX			
Income tax expense	5	(144,172)	(209,315)
	7	<u>-</u>	<u>-</u>
LOSS FOR YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(144,172)</u>	<u>(209,315)</u>



Miao Guili
Director



Chen Yanling
Director

SIHUAN STRIDES (HK) LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 USD	31 December 2022 USD
NON-CURRENT ASSETS			
Intangible assets	8	<u>1,500,000</u>	<u>1,300,000</u>
Total non-current assets		<u>1,500,000</u>	<u>1,300,000</u>
CURRENT ASSETS			
Other receivables	9	2,567,154	3,080,021
Cash and cash equivalents	10	<u>21,685</u>	<u>35,898</u>
Total current assets		<u>2,588,839</u>	<u>3,115,919</u>
CURRENT LIABILITIES			
Lease liability	11	45,401	45,401
Other payables	12	<u>909,430</u>	<u>1,092,338</u>
Total current liabilities		<u>954,831</u>	<u>1,137,739</u>
NET CURRENT ASSETS		<u>1,634,008</u>	<u>1,978,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,134,008</u>	<u>3,278,180</u>
Net assets		<u>3,134,008</u>	<u>3,278,180</u>
EQUITY			
Share capital	13	5,000,000	5,000,000
Accumulated losses		<u>(1,865,992)</u>	<u>(1,721,820)</u>
Total equity		<u>3,134,008</u>	<u>3,278,180</u>

SIHUAN STRIDES (HK) LIMITED**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2023

	Share capital USD	Accumulated losses USD	Total equity USD
At 1 January 2022	5,000,000	(1,512,505)	3,487,495
Loss for the year	-	(209,315)	(209,315)
Total comprehensive loss for the year	-	(209,315)	(209,315)
At 31 December 2022	<u>5,000,000</u>	<u>(1,721,820)</u>	<u>3,278,180</u>
At 1 January 2023	5,000,000	(1,721,820)	3,278,180
Loss for the year	-	(144,172)	(144,172)
Total comprehensive loss for the year	-	(144,172)	(144,172)
At 31 December 2023	<u>5,000,000</u>	<u>(1,865,992)</u>	<u>3,134,008</u>

SIHUAN STRIDES (HK) LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Note	2023 USD	2022 USD
CASH FLOWS USED IN OPERATING ACTIVITIES			
Loss before tax		(144,172)	(209,315)
Operating cash flows before movements in working capital		<u>(144,172)</u>	<u>(209,315)</u>
(Decrease)/Increase in other payables		<u>(382,908)</u>	<u>96,628</u>
Cash used in operations		<u>(527,080)</u>	<u>(112,687)</u>
Net cash flows used in operating activities		<u>(527,080)</u>	<u>(112,687)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans from a shareholder		512,867	-
Net cash flows from investing activities		<u>512,867</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		<u>35,898</u>	<u>148,585</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>21,685</u>	<u>35,898</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	10	<u>21,685</u>	<u>35,898</u>

SIHUAN STRIDES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE INFORMATION

Sihuan Strides (HK) Limited (the "Company") is a limited company incorporated in Hong Kong. Its registered office is located at Room 4905, Office Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong.

During the year, the Company was involved in holding and developing various pharmaceutical products and marketing, distributing and commercialization of pharmaceutical formulations.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

2.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention. These financial statements are presented in United States Dollars ("USD").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has adopted the following revised HKFRSs, which are applicable to the Company for the first time in the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. 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. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Company has disclosed the material accounting policy information in note 2.5 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any item in the Company's financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Company's approach and policy align with the amendments, the amendments had no impact on the Company's financial statements.

31 December 2023

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Company's financial statements.

Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Company has applied the amendments retrospectively. Since the Company did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Company.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any of the revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 December 2023 in these financial statements. Among these HKFRSs, the following are expected to be relevant to the Company's financial statements upon becoming effective:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1,2}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Company's financial statements.

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Intangible assets

Intangible assets are capitalised development costs.

Expenditure on internally developed products is capitalised and deferred only if it can be demonstrated that the product or process is technically and commercially feasible and the Company has sufficient resources to complete the project. Expenditure that does not meet the recognition criteria is expensed in the statement of profit or loss when it is incurred.

Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Company makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in the statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to the statement of profit or loss in the year in which it arises.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Leases

Lessee

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised under property, plant and equipment and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

Financial assets

Other receivables that do not contain a significant financial component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Company commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Debt instruments are measured at fair value through other comprehensive income if the assets' contractual cash flows represent solely payments of principal and interest and the assets are held for collection of contractual cash flows and for selling the financial assets. Such financial assets are subsequently measured at fair value with any gains or losses from changes in fair value recognised in other comprehensive income, except for impairment losses and reversal, foreign exchange gains and losses and interest calculated using the effective interest rate method which are recognised in the statement of profit or loss. The cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the statement of profit or loss when the financial asset is derecognised.

Debt instruments that do not meet the criteria for amortised cost or as financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. Interest income for these financial assets is included in finance income.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Company has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Company's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss even when the assets are sold.

2.5 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Impairment

The Company applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under HKFRS 15 and lease receivables under HKFRS 16. For trade receivables and contract assets without a significant financial component, the Company applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Company is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Company has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities include other payables and accruals. They are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Foreign currency transactions

The financial statements are presented in USD, which is also the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. All the foreign exchange gains and losses are presented in the profit or loss within "other income and gains-net".

31 December 2023

2.5 MATERIAL ACCOUNTING POLICIES (continued)Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of deferred development costs

The management determines the estimated future cash flows generated by all licences in capitalisation of development costs that the Company possessed. These estimates are based on projected product life cycles in the pharmaceutical industry.

It could change significantly as a result of medicine innovations and competitor actions in response to industry cycles. Management will recognise impairment loss on the capitalised development costs when future cash flows are less than expectation and fall below the amount of related development costs.

4. OTHER INCOME AND GAINS-NET

Other income and gains include the following:

	2023 USD	2022 USD
Interest income	260	75
Exchange losses, net	(8)	(11)
	252	64

5. LOSS BEFORE TAX

The Company's loss before tax is arrived at after charging:

	2023 USD	2022 USD
Professional fee	3,788	69,140
Management fee (note 15)	129,961	129,961
Auditor's remuneration	10,000	10,000
	143,749	209,101

SIHUAN STRIDES (HK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**

31 December 2023

6. DIRECTORS' REMUNERATION

The directors did not receive any fees or emoluments from the Company in respect of their services to the Company during the year (2022: Nil).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2023 USD	2022 USD
Loss before tax	(144,172)	(209,315)
Tax at the statutory tax rate of 16.5%	(23,788)	(34,537)
- Expenses not deductible for tax purposes	-	11,000
- Tax losses not recognised	23,831	23,548
- Income not subject to tax	(43)	(11)
	<hr/>	<hr/>
Tax charge at the effective rate	-	-

The Company has tax losses arising in Hong Kong of USD681,131 that are available indefinitely for offsetting against its future taxable profits. Deferred tax assets have not been recognised in respect of these losses as the Company has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

SIHUAN STRIDES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

8. INTANGIBLE ASSETS

	Deferred development costs USD
At 1 January 2023	
Cost	1,300,000
Impairment	-
	<u>1,300,000</u>
Net carrying amount	<u>1,300,000</u>
Cost at 1 January 2023	1,300,000
Additions	200,000
Amortisation provided during the year	-
	<u>1,500,000</u>
At 31 December 2023	<u>1,500,000</u>
At 31 December 2023	
Cost	1,500,000
Impairment	-
	<u>1,500,000</u>
Net carrying amount	<u>1,500,000</u>
At 1 January 2022	
Cost	1,300,000
Impairment	-
	<u>1,300,000</u>
Net carrying amount	<u>1,300,000</u>
Cost at 1 January 2022	1,300,000
Additions	-
Amortisation provided during the year	-
	<u>1,300,000</u>
At 31 December 2022	<u>1,300,000</u>
At 31 December 2022	
Cost	1,300,000
Impairment	-
	<u>1,300,000</u>
Net carrying amount	<u>1,300,000</u>

SIHUAN STRIDES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

9. OTHER RECEIVABLES

	Note	31 December 2023 USD	31 December 2022 USD
Due from Sun Moral International (HK) Limited ("Sun Moral")	(i)	1,570,800	1,570,800
Due from Strides Pharma Global Pte Limited ("Strides Pharma")	(i)	<u>996,354</u>	<u>1,509,221</u>
		<u>2,567,154</u>	<u>3,080,021</u>

(i) The amounts due from shareholders, Sun Moral and Strides Pharma were unsecured, interest-free and repayable on demand.

Impairment of other receivables

The carrying amount of other receivables approximated to their fair value as at 31 December 2023 and 2022. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 December 2023 and 2022 were considered to be minimal.

10. CASH AND CASH EQUIVALENTS

	31 December 2023 USD	31 December 2022 USD
Cash and bank balances	<u>21,685</u>	<u>35,898</u>
Cash and cash equivalents	<u>21,685</u>	<u>35,898</u>
Denominated in:		
Hong Kong dollars ("HKD")	1,205	249
USD	<u>20,480</u>	<u>35,649</u>
	<u>21,685</u>	<u>35,898</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The carrying amounts of the cash and cash equivalents approximate to their fair values.

SIHUAN STRIDES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

11. LEASE LIABILITY

The Company leases its office under operating lease arrangement. Lease for the office is negotiated for terms of 24 months with no extension or termination options and all the lease payments are fixed.

(a) Lease liability

(i) Maturity profile of lease liability as at 31 December 2023

	31 December 2023 USD	31 December 2022 USD
Within one year	<u>45,401</u>	<u>45,401</u>
Lease liability (undiscounted)	45,401	45,401
Discount amount	<u>-</u>	<u>-</u>
Lease liability (discounted)	<u>45,401</u>	<u>45,401</u>
Current	<u>45,401</u>	<u>45,401</u>

The weighted average incremental borrowing rate applied to the lease liability recognised at 31 December 2023 was nil (2022: nil).

(ii) Movements of carrying amounts of lease liability for the year ended

	2023 USD	2022 USD
At 1 January	45,401	45,401
Accretion of interest	<u>-</u>	<u>-</u>
At 31 December	<u>45,401</u>	<u>45,401</u>

(iii) There are no lease arrangement at 31 December 2023. The lease liability represents the lease arrangement terminated in the year 2022 and which was not fully paid. Nil interest and depreciation expense was recognised in the statement of profit or loss and other comprehensive income.

SIHUAN STRIDES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2023

12. OTHER PAYABLES

	31 December 2023 USD	31 December 2022 USD
Due to Hainan Sihuan Pharmaceutical Co., Ltd. ("Hainan Sihuan")	128,375	128,375
Due to Strides Pharma Science Limited ("Strides Science")	-	487,929
Due to Sun Moral	495,993	366,034
Due to Strides Pharma	275,062	100,000
Accrual	10,000	10,000
	<u>909,430</u>	<u>1,092,338</u>

The payables to Hainan Sihuan, Sun Moral, Strides Pharma, were unsecured, interest-free and repayable on demand.

13. SHARE CAPITAL

	31 December 2023 USD	31 December 2022 USD
Issued and fully paid: 5,000,000 ordinary shares (USD1.00 per share)	<u>5,000,000</u>	<u>5,000,000</u>

A summary of the movements in the Company's share capital is as follows:

Note	Number of ordinary shares	Share capital USD
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>5,000,000</u>	<u>5,000,000</u>

14. COMMITMENTS

At 31 December 2023, the Company did not have any commitments (31 December 2022: Nil) relating to the leasehold.

15. RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, the Company had the following material transactions with related parties during the year:

	Notes	2023 USD	2022 USD
License fee charged from Strides Pharma	(i)	200,000	-
Management service charged from Sun Moral	(ii)	129,961	129,961
Repayment of loans from Strides Pharma		512,867	-
Consultancy fee to Dr. Xiuyan Cheryl Li		-	66,667

- (i) License fee was charged according to the pre-determined agreement.
(ii) Management service was charged based on the direct costs incurred.

31 December 2023

16. FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise other receivables and other payables.

The main risks arising from the Company's financial instruments are liquidity risk and foreign currency risk. The directors of the Company periodically analyse and formulate measures to manage the Company's exposure to these risks. As the Company's exposure to financial risks and foreign currency risk is minimal, the Company has not used any derivatives and other instruments for hedging purposes.

As at 31 December 2023 and 2022, the Company does not have significant financial instrument carried at fair value.

17. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, there is no subsequent event for the Company.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 20 May 2024.