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GUSHENGTANG HOLDINGS LIMITED

固 生 堂 控 股 有 限 公 司

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

(Stock Code: 2273)

POSITIVE PROFIT ALERT

This announcement is made by GUSHENGTANG HOLDINGS LIMITED (the “**Company**”, together with its subsidiaries and consolidated affiliated entities, the “**Group**”) pursuant to the Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that based on the information currently available and a preliminary review of the unaudited consolidated management accounts of the Group for the financial year ended December 31, 2022 (“**FY2022**”), it is expected that the Group will record (a) a net profit for FY2022 of approximately RMB180.0 million, as compared with the net loss of the Group for the financial year ended December 31, 2021 (“**FY2021**”) in the amount of RMB506.9 million and (b) an increase in adjusted net profit for FY2022 by approximately 25% to 30% as compared with that for FY2021.

Based on the information currently available to the Board, the Board believes that:

- (a) the turnaround in the Group’s profitability was primarily due to the fact that (i) there was no further fair value loss in connection with the convertible redeemable preferred shares and the convertible bonds of the Company for FY2022, as compared with a fair value loss of convertible redeemable preferred shares and convertible bonds of the Company for FY2021 and (ii) there was less expense in equity settled share-based payment during the FY2022 since the Company incurred an one-off share-based payment in FY2021.

- (b) The increase in adjusted net profit (as defined by the Group as the net loss/profit eliminating the effect of the (i) fair value change of financial liabilities at fair value through profit or loss in connection with the convertible redeemable preferred shares and the convertible bonds of the Company; (ii) equity-settled share-based payment in relation to the share options granted under the Pre-IPO Share Option Plan as defined in the prospectus of the Company dated November 30, 2021; and (iii) listing expense (collectively, the “**Adjusted Net Items**”)) was mainly due to the combining effects of (a) the increase in revenue attributable to the business expansion and (b) the decrease in the finance costs due to the repayment of short-term bank loans in FY2022.

The Board wishes to highlight that “adjusted net profit” is not defined under the Hong Kong Financial Reporting Standards. The Board believes that the “adjusted net profit” would provide useful information to potential investors and others in understanding and evaluating the operating results of the Group by eliminating the effect of the Adjusted Net Items, which are either non-operating or non-recurring expenses of the Group. In particular, the convertible redeemable preferred shares represent convertible redeemable preferred shares issued by the Company which were converted into ordinary shares of the Company upon the listing of the shares of the Company in 2021 and the Board does not expect to recognize any further loss on fair value changes of convertible redeemable preferred shares after such conversion.

As the Company is still in the process of finalising the results for FY2022, the information contained in this announcement is based on the management’s preliminary review of the unaudited consolidated management accounts of the Group and information currently available to the Board for FY2022, which has not been reviewed or audited by the auditors of the Company, Shareholders and potential investors of the Company are advised to read carefully the annual results announcement of the Company for FY2022, which is expected to be published by March 2023.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
GUSHENGTANG HOLDINGS LIMITED
固生堂控股有限公司
TU Zhiliang
Chairman of the Board

Hong Kong, February 15, 2023

As at the date of this announcement, the Board of the Company comprises Mr. TU Zhiliang as Chairman and executive Director, Mr. JIANG Xiaodong, Mr. HUANG Jingsheng, Mr. XU Yongjiu, Mr. LIU Kanghua and Mr. GAO Jian as non-executive Directors, Ms. JIN Xu, Mr. LI Tie and Mr. WU Taibing as independent non-executive Directors.