LANSEN PHARMACEUTICAL HOLDINGS LIMITED
朗生醫藥控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock code: 503)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2022 (unaudited)	Six months ended 30 June 2021 (unaudited)	**Change (unaudited)**
Results (US$'000):			
Revenue	**31,991**	23,485	36.2%
Gross profit	**21,936**	15,148	44.8%
Profit from operations	**9,167**	2,781	229.6%
Profit before income tax	**8,078**	1,845	337.8%
Profit attributable to owners of the Company	**6,796**	1,529	344.5%
Profitability:			
Gross profit margin	**68.6%**	64.5%	4.1%
Net profit margin	**21.2%**	6.5%	14.7%
Basic and diluted earnings per share *(US cents)*	**1.71**	0.38	1.33

The board of directors (the "Board") of Lansen Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as "Lansen" or the "Group") for the six months ended 30 June 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	**Six months ended 30 June 2022 *US$'000* (unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Revenue	*4*	**31,991**	23,485
Cost of sales		**(10,055)**	(8,337)
Gross profit		**21,936**	15,148
Other income	*4*	**659**	565
Selling and distribution expenses		**(8,235)**	(7,758)
Administrative expenses		**(5,312)**	(5,081)
Loss allowance reversed/(recognised) on financial assets		**119**	(93)
Profit from operations		**9,167**	2,781
Other non-operating income and expenses, net	*6*	**(127)**	(1,565)
Finance income	*7*	**333**	1,843
Finance costs	*7*	**(873)**	(801)
Share of post-tax result of associates		**(422)**	(413)
Profit before income tax	*8*	**8,078**	1,845
Income tax expense	*9*	**(1,282)**	(316)
Profit for the period		**6,796**	1,529

	Note	**Six months ended 30 June 2022**	Six months ended 30 June 2021
		US$'000	*US$'000*
		(unaudited)	(unaudited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**(5,016)**	528
Exchange differences reclassified to profit or loss upon disposal of a subsidiary		**–**	134
Other comprehensive income for the period, net of tax		**(5,016)**	662
Total comprehensive income for the period		**1,780**	2,191
Profit attributable to owners of the Company		**6,796**	1,529
Total comprehensive income attributable to owners of the Company		**1,780**	2,191
		US cents	*US cents*
Earnings per share			
— Basic and diluted	*11*	**1.71**	0.38

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	**30 June 2022 US$'000 (unaudited)**	31 December 2021 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**20,809**	23,242
Right-of-use assets		**1,839**	1,950
Investment property		**586**	627
Intangible assets		**21,802**	22,850
Goodwill		**6,824**	6,824
Interests in associates		**1,677**	2,196
		53,537	57,689
Current assets			
Inventories		**8,592**	7,391
Trade and other receivables	*12*	**31,841**	49,876
Loan to an associate	*13*	**8,638**	8,855
Tax recoverable		**–**	12
Pledged bank deposits		**12,477**	15,944
Cash and cash equivalents		**53,170**	32,545
		114,718	114,623
Total assets		**168,255**	172,312
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**4,268**	3,773
Share premium		**18,422**	11,299
Treasury shares		**(1,282)**	–
Foreign exchange reserve		**(178)**	4,838
Statutory reserve		**10,621**	10,621
Retained profits		**92,866**	86,070
Total equity		**124,717**	116,601

	Note	30 June 2022 US$'000 (unaudited)	31 December 2021 US$'000 (audited)
Non-current liabilities			
Lease liabilities		**170**	204
Deferred tax liabilities		**1,989**	2,032
		2,159	2,236
Current liabilities			
Borrowings		**19,728**	24,687
Lease liabilities		**263**	336
Current tax liabilities		**1,446**	539
Trade and other payables	*14*	**18,598**	26,589
Contract liabilities		**68**	77
Other financial liabilities		**1,276**	1,247
		41,379	53,475
Total liabilities		**43,538**	55,711
Total equity and liabilities		**168,255**	172,312
Net current assets		**73,339**	61,148
Total assets less current liabilities		**126,876**	118,837

Notes

1. CORPORATE INFORMATION

Lansen Pharmaceutical Holdings Limited (the "Company") is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 May 2010. The Company's registered office is located at Windward 3, Regatta Office Park, P. O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands. The Company's principal place of business is located at Suites 1203–4, 12/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred to as the "Group") are manufacturing and trading of pharmaceutical products. The principal activities of the Group are carried out in the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the period.

The Company is a subsidiary of Cathay International Holdings Limited ("CIH"), a company incorporated in Bermuda. The directors consider the immediate holding company and ultimate holding company to be Cathay International Pharma Manufacture and Distribution (China) Limited and CIH respectively.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the Interim Financial Statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements are presented in United States Dollars ("US$"), unless otherwise stated. The Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's consolidated financial statements for the year ended 31 December 2021. The Interim Financial Statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") (which collective term includes all individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2021.

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial liabilities that are measured at fair values.

The Interim Financial Statements have been prepared with the same accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2021, except for those disclosed in Note 3.

The Interim Financial Statements are unaudited, but have been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the International Auditing and Assurance Standards Board.

3. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following amendments issued by the IASB that are potentially relevant to and effective for the annual period beginning on or after 1 January 2022 for the preparation of the Interim Financial Statements.

Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	COVID-19 — Related Rent Concessions beyond 30 June 2021
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1 — First-time Adoption of IFRS; Amendments to IFRS 9 — Financial Instruments; Amendments to IFRS 16 and Amendments to IAS 41 — Agriculture

The adoption of the above amendments have no material impact on the Group's financial performance and position for the current or prior periods and/or on disclosures set out in these Interim Financial Statements.

The Group has not early applied any new standards or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue which are generated from contracts with customers and other income for the periods are as follows:

	Six months ended 30 June 2022 US$'000 (unaudited)	Six months ended 30 June 2021 US$'000 (unaudited)
Revenue from sales of goods	**31,991**	23,485
Timing of revenue recognition		
At a point in time	**31,991**	23,485
Other income		
Government grants	**448**	68
Gain on early termination of lease	**63**	198
Others	**148**	299
	659	565

The Group received grants from the local government in the PRC mainly attributed to the Group's development of high-technology pharmaceutical products. The grants received were not subject to any conditions.

5. SEGMENT INFORMATION

Information reported to the executive managing director, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance based on the types of goods delivered.

The Group's reportable and operating segments under IFRS 8 "*Operating Segments*" are as follows:

— Pharmaceuticals: development, production and sale of specialty pharmaceuticals mainly used in the field of rheumatology and dermatology and other pharmaceuticals

— Healthcare products: development, production and sale of healthcare products

— Cosmetic products: sale of cosmetic products

The following is an analysis of the Group's revenue and results from operations by reportable and operating segments.

	Six months ended 30 June 2022			
	Pharmaceuticals	**Healthcare products**	**Cosmetic products**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Primary geographical markets				
The PRC (domicile)	**30,990**	**143**	**41**	**31,174**
Overseas	**–**	**817**	**–**	**817**
Reportable segment revenue	**30,990**	**960**	**41**	**31,991**
Reportable segment profit	**13,546**	**117**	**38**	**13,701**

	Six months ended 30 June 2021			
	Pharmaceuticals	Healthcare products	Cosmetic products	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Primary geographical markets				
The PRC (domicile)	22,311	200	88	22,599
Overseas	–	886	–	886
Reportable segment revenue	22,311	1,086	88	23,485
Reportable segment profit/(loss)	7,604	202	(416)	7,390

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior periods.

The totals presented for the Group's operating segments reconciled to the Group's key financial figures as presented in the Interim Financial Statements is as follows:

	Six months ended 30 June 2022 *US$'000* **(unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Total results of reportable segment profit	**13,701**	7,390
Unallocated income	**659**	565
Unallocated expenses	**(5,193)**	(5,174)
Other non-operating income and expenses, net	**(127)**	(1,565)
Finance income	**333**	1,843
Finance costs	**(873)**	(801)
Share of post-tax result of associates	**(422)**	(413)
Profit before income tax	**8,078**	1,845

Reportable segment profit/(loss) represents the gross profit/(loss) less selling and distribution expenses by each segment. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

Share of post-tax result of associates, other non-operating income and expenses, net, finance income, finance costs and certain income and expenses are not allocated to the reportable segments as they are not included in the measure of the results of reportable segment that is used by CODM for assessment of segment performance.

No segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

6. OTHER NON-OPERATING INCOME AND EXPENSES, NET

	Six months ended 30 June 2022 ***US$'000*** **(unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Realised loss from financial assets at fair value through profit or loss ("FVTPL") *(Note)*	**–**	(511)
Transaction costs and other tax in connection with partial disposal of financial assets at FVTPL *(Note)*	**–**	(5)
Unrealised loss on change in value of financial assets at FVTPL	**–**	(553)
Exchange difference arising on translation of financial assets at FVTPL	**–**	16
Gain on disposal of a subsidiary	**–**	13
Provision for impairment of intangible assets	**(599)**	–
Provision for impairment of interest in an associate	**–**	(550)
Reversal of loss allowance on financial guarantee contract	**472**	25
	(127)	(1,565)

Note:

During the six months ended 30 June 2021, the Group had disposed of a total of 2,453,511 shares in Zhejiang Starry Pharmaceutical Co., Ltd. ("Starry") via on-market sales on the Shanghai Stock Exchange, at the average price of Renminbi ("RMB") 64.46 per share and resulting in a realised loss of US$516,000 (net of transaction costs and other tax). After the partial disposal, the Group's equity interest in Starry was reduced to 0.3% as at 30 June 2021.

During the year ended 31 December 2021, the Group had disposed of all the remaining 3,252,493 shares of Starry via on-market sales on the Shanghai Stock Exchange, at the average price of RMB63.43 per share. After the disposal, the Group does not hold any shares of Starry.

7. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June 2022 *US$'000* **(unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Finance income		
Bank interest income	**333**	863
Net exchange gain	**–**	980
	333	1,843
Finance costs		
Interest on bank borrowings	**569**	694
Cross guarantee commission fee paid to a fellow subsidiary	**50**	50
Unwinding of discount on contingent consideration	**29**	31
Interest on lease liabilities	**12**	26
Net exchange loss	**213**	–
	873	801

8. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June 2022 *US$'000* **(unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Depreciation of property, plant and equipment	**1,154**	1,217
Depreciation of investment property	**10**	10
Depreciation of right-of-use assets	**224**	245
Provision for impairment of property, plant and equipment	**236**	49
Provision for impairment of obsolete inventories	**149**	36
Net exchange loss/(gain)	**213**	(996)
Research and development costs	**959**	1,092
Losses on disposals of property, plant and equipment	**5**	2
Write off of inventories	**5**	277

9. INCOME TAX EXPENSE

	Six months ended 30 June 2022 *US$'000* **(unaudited)**	Six months ended 30 June 2021 *US$'000* (unaudited)
Current income tax		
— Tax for the period	**1,241**	1,610
— Over provision in prior periods	**(9)**	(26)
	1,232	1,584
Deferred tax	**50**	(1,268)
Income tax expense	**1,282**	316

Tax on assessable profits has been calculated at the applicable rates of tax prevailing in the tax jurisdiction in which the Group operates.

Under the two-tiered profits tax rates regime for Hong Kong profit tax, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the six months ended 30 June 2022 and 2021.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (Six months ended 30 June 2021: 25%).

On 1 December 2020, one subsidiary of the Group renewed the "High Technology Enterprise" status for 3 years that entitled the subsidiary a preferential tax rate of 15% for a period of three years starting from December 2020 to December 2023 according to the PRC tax law.

10. DIVIDENDS

For the six months ended 30 June 2022 and 2021, the directors of the Company do not recommend the payment of interim dividends.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares of 396,340,597 shares (Six months ended 30 June 2021: 397,172,000 shares), after adjusting the placing of new shares and the treasury shares held or cancelled by the Company, outstanding during the period.

The Group had no potential dilutive ordinary shares in issue during the current and prior periods.

12. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**15,806**	15,954
Less: loss allowance	**(634)**	(683)
	15,172	15,271
Bills receivables	**14,841**	23,612
Trade and bills receivables	**30,013**	38,883
Prepayments and other receivables	**1,828**	10,993
	31,841	49,876

The Group has a policy of allowing an average credit period of 90 days (31 December 2021: 90 days) to its customers.

Based on the invoice date, the ageing analysis of the trade and bills receivables (net of loss allowance) of the Group as at the end of the reporting period is as follows:

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(unaudited)	(audited)
90 days or below	**24,687**	19,551
91–180 days	**4,265**	7,397
181–365 days	**1,052**	11,935
Over 365 days	**9**	–
	30,013	38,883

As at 30 June 2022, certain bills receivables of US$12,133,000 (31 December 2021: US$19,249,000) were pledged to secure for bank borrowings of a fellow subsidiary.

13. LOAN TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand. The directors consider that the carrying amount of this balance approximates its fair value.

As at 30 June 2022, loss allowance of US$941,000 (31 December 2021: US$964,000) was recognised on loan to an associate against the carrying amount of loan to an associate.

14. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**1,967**	3,188
Bills payables	**7,867**	14,547
Financial guarantee contract	**–**	481
Other payables and accruals	**8,764**	8,373
	18,598	26,589

Based on invoice date, the ageing analysis of the trade payables of the Group as at the end of the reporting period is as follows:

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(unaudited)	(audited)
90 days or below	**1,658**	2,848
91–180 days	**13**	40
181–365 days	**10**	3
Over 365 days	**286**	297
	1,967	3,188

As at 30 June 2022, the Group had pledged certain bank deposits of US$6,377,000 (31 December 2021: US$13,136,000) to secure for bills payables of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lansen recorded revenue of approximately US$32.0 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately US$23.5 million), representing an increase of approximately 36.2% over the corresponding period last year. The increase in the Group's revenue was primarily attributable to the increase in sales volume of the Group's core products, Pafulin and Sicorten Plus, in the current period as compared with the corresponding period last year. With the corresponding increase in gross profit as a result of higher revenue, profit from operations for the period was approximately US$9.2 million (six months ended 30 June 2021: approximately US$2.8 million), representing an increase of approximately 229.6% as compared with the corresponding period last year, while the profit for the period amounted to approximately US$6.8 million (six months ended 30 June 2021: approximately US$1.5 million), representing an increase of approximately 344.5% as compared with the corresponding period last year. However, the management believes that the apparent better performance in the first half of 2022 does not represent a significant improvement in the Company's business, but is rather mainly due to the following reasons:

1. As disclosed in the Group's 2021 annual report, the Group was awared of the decrease in sales volume of its core products in 2021 and thereby made adjustments to its sales strategies by implementing them step by step in 2021. From an operational perspective, the management believes that the reorganisation of the management structure and the adjustments to the sales strategies are showing initial results and the Group's performance is only on its recovery track.

2. The Group's sales and marketing related activities did not fully commence as planned in the first half of 2022 due to the impact of the pandemic. It is expected that sales and marketing expenses will increase in the second half of 2022 compared to the first half of 2022 as deferred sales and marketing activities are resumed. The implementation of pandemic control policies may also have an impact on the Group's business performance in the second half of the year. Therefore, we remain cautious about the Group's full-year performance prospects.

In the first half of the year, revenue of the pharmaceutical segment increased by approximately 38.9% over last year to approximately US$31.0 million (six months ended 30 June 2021: approximately US$22.3 million), among which, the revenue of the Group's core products, Pafulin and Sicorten Plus, increased by approximately 35.3% as compared with the corresponding period last year. Profit of the pharmaceutical segment increased by approximately 78.1% in the first half of the year as compared with the corresponding period last year.

In the first half of the year, revenue of the cosmetic segment amounted to approximately US$41,000 (six months ended 30 June 2021: approximately US$88,000), which was mainly attributable to the sales processing of historical inventories, while the segment profit was approximately US$38,000 (six months ended 30 June 2021: segment loss of approximately US$0.4 million).

Another business development segment under the comprehensive health strategy of the Group is the development of healthcare business with Natural Dailyhealth Holdings Limited ("Natural Dailyhealth"), in which the Group has a 30% equity interest, as a platform. The operating results of the healthcare business are reflected in the share of profit or loss of Natural Dailyhealth, an associate of the Group. In the first half of the year, Natural Dailyhealth saw an increase in sales and gross profit of its plant extract products as compared with the corresponding period last year. However, due to the impact of foreign exchange losses, the share of loss of Natural Dailyhealth increased to US$0.38 million (six months ended 30 June 2021: approximately US$0.35 million). In the first half of the year, revenue from healthcare business other than that from Natural Dailyhealth amounted to approximately US$1.0 million (six months ended 30 June 2021: approximately US$1.1 million), representing a decrease of approximately 11.6% as compared with last year. Segment profit amounted to approximately US$0.1 million (six months ended 30 June 2021: approximately US$0.2 million).

Pharmaceutical segment

In the first half of 2022, the Chinese government successively issued several policy documents such as the "14th Five-Year Plan", government work reports, amendments to the Regulations for the Implementation of the Drug Administration Law, and key tasks to strengthen the healthcare reform, which covered a number of aspects such as volume-based procurement, medical insurance payment methods, medical insurance funds, and revitalisation of traditional Chinese medicine, creating a significant impact on the development of the pharmaceutical industry. The Group continued to pay attention to the national pharmaceutical-related policies, and followed the policy orientation to strengthen the development of its downstream market and increase hospital coverage, and made changes to its marketing system to cope with the changes in the pharmaceutical environment.

The Group continued to implement and improve its sales structure and marketing strategy adjustments starting from 2021:

(i) The teams of mature market and emerging market were consolidated into a self-run hospital team to accelerate the expansion of hospital coverage through the joint promotion of two core products, namely Pafulin and Sicorten Plus, in the relevant therapeutic areas;

(ii) The commercial distribution team continued to expand the full coverage of sales channels, and leveraged on the high-quality customer base established by Pafulin to drive the sales growth of other pharmaceutical products of the Group;

(iii) The semi-self-run team attempted to develop the potential markets not covered by the self-run hospital team with an innovative model, and focused on promoting the Group's products with Bazhen Keli. The team also established cooperation with competent customers in various provinces, and improved terminal coverage and sales volume.

The Group strengthened the collaboration of its sales teams to explore product growth in response to market demand and accelerated the coverage of medical terminals. Meanwhile, the Group proposed the therapeutic theory of preventive treatment and encouraged early screening project progress for rheumatic diseases so as to promote the use of Pafulin as a preferred medicine for the early treatment of rheumatic immune diseases. In terms of implementation results, the reorganisation of the management structure and sales strategy in the first half of the year showed initial results.

In the first half of the year, the Group continued to persist in prioritising cash flows and implemented internal management to save and increase efficiency under the challenging environment of rising prices of raw materials and energy sources. With respect to research and development, the Group continued in the first half of the year with its R&D efforts centreing around Pafulin, including research on the mechanism of action and new indications, and continued with the gradual resumption of production of traditional Chinese medicine products.

Healthcare segment

The Group continued to develop its healthcare business through the development platform of Natural Dailyhealth. The procurement of overseas raw materials and business expansion of our plant extract business was affected by international economic and political factors. Against this backdrop, Natural Dailyhealth adapted to the trend and optimised its business strategy. Under the premise of strengthening market development, it promoted production and sales coordination, technology updates, increased production and sales, cost reduction and efficiency enhancement, energy conservation and emission reduction and other improvements, and cultivated product competitive advantages. The Group improved the satisfaction of domestic customers and developed sales, while the cost-effectiveness of raw material procurement and operational efficiency were enhanced.

With respect to the health product business, Natural Dailyhealth has applied for and is awaiting registration approval for certain health products after further supplementary review materials have been submitted to the National Medical Products Administration. With the update of national registration and filing regulations, some products have been filed for record management. Natural Dailyhealth has set up a production base in Hong Kong to build the brand of “Made in Hong Kong”. Natural Dailyhealth actively plans and promotes the commercialisation of health products registered in the Mainland to the production base in Hong Kong, and further develops and reserves sufficient number of superior products and brands, which will be gradually put into the market after they are ready for use.

Cosmetic segment

In the first half of 2022, the Group was mainly handling the historical inventory of skin care products. The Group is still in the process of reviewing the development strategy of the cosmetic business and will prudently increase its investment in cosmetic business only when opportunities arise and the Group has a well-defined marketing strategy in place and right products to market.

OUTLOOK

The Group will continue to pursue a diversification strategy, but will mainly focus on the development of its pharmaceutical business.

Pharmaceutical segment

The management expects that the Group will remain challenged by the pandemic and policy changes, and that market penetration and increased hospital coverage will become increasingly imminent, particularly in the treatment of chronic diseases drug market. As the Group's sales of its self-run team are currently mainly derived from large hospitals, one of the main focuses of the Group's marketing strategy, which has been adjusted and progressively implemented over the past year, is to expand the Group's sales network downwards to cover more medical terminals. In the second half of the year, the Group plans to devote more resources to the expansion of its sales channels, particularly at the county level, but it remains to be seen whether the resources invested will generate short-term revenue and profit growth.

The Group will formulate a "province-by-province, product-by-product" plan in line with the potential and situation of each province and the characteristics of its products, with the emphasis on the development and expansion of medical alliances and medical co-operative hospitals, and gradually build an influential patient education platform. The Group will optimise its performance appraisal system, enhance the market competitiveness of its sales team, provide career advancement training to its staff to suit the prevailing environment, and further implement a competitive mechanism for the survival of the fittest to adjust the marketing model and personnel in regions with long-term weak growth.

The Group will adhere to its prioritisation of cash flow, implement a series of measures to reduce costs and increase efficiency in internal management, and actively promote the implementation of ESG strategy in various aspects such as energy saving, emission reduction and consumption reduction as well as strengthening staff training. At the same time, the Group will gradually strengthen the management and establishment of the raw material supply chain to ensure the safety and price stability of the Group's raw material procurement.

The Group will continue to devote more R&D efforts to its core product, Pafulin, in terms of its mechanism of action, new indications and internationalisation, so as to maintain its leading therapeutic position in the relevant therapeutic areas. With the further enhancement of the national policy to focus on the development of the traditional Chinese medicine industry, the Group plans to gradually resume the production of the traditional Chinese medicine products in the coming years and introduces them to the market one after another. The Group is also actively looking for products or companies to acquire or strategically partners whom are in line with the Company's strategy.

Healthcare segment

The Group will continue to use Natural Dailyhealth as a platform for developing its healthcare business. With respect to the plant extract business, Natural Dailyhealth will focus on strengthening the direct procurement of raw materials, especially from foreign resources, studying and optimising the cost effectiveness of raw material procurement, strengthening the research on competing plant extract products and customer demand standards, optimising independent production technology, implementing customised strategies, combining various cost control measures such as cost reduction and efficiency improvement, energy saving and emission reduction in factories, cultivating core competitive advantages and seeking healthy profitability and sustainability of our business. Natural Dailyhealth will also continue to develop its core advantages and strive for health profitability and sustainability. At the same time, Natural Dailyhealth will make use of the opportunity presented by the construction of new production lines to upgrade its quality system.

With respect to the health product business, Natural Dailyhealth will, on the basis of actively following up on the progress of registered varieties in the PRC, cultivate core independent advantages. Health products will be the cultivation and expansion of the future health product market of Natural Dailyhealth. The excellent product matrix will be gradually launched to the market after the product matrix and brand formation.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The share capital of the Company only comprises of ordinary shares. The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including bank borrowings from time to time when the operating cash flow is insufficient to meet capital requirements. During the six months ended 30 June 2022, the Company completed placing of new shares under general mandate. On 7 April 2022, the Company and the placees entered into the subscription agreements, pursuant to which the placees conditionally agreed to subscribe and the Company conditionally agreed to allot and issue a total of 49,520,000 placing shares at a placing price of HK$1.20 per placing share. The placing of 49,520,000 shares was completed on 20 April 2022. The net proceeds after deducting the related expenses amounted to approximately HK$59,154,000 (equivalent to approximately US$7,618,000). Accordingly, the Company’s share capital increased by approximately US$495,000 and the remaining balance of the net proceeds of approximately US$7,123,000 was credited to the share premium account. The Company intends to use these net proceeds for (i) potential future acquisitions or projects; and (ii) replenishment of working capital and general corporate purposes to support the Company’s strategy. For details, please refer to the Company’s announcements dated 7 April 2022 and 20 April 2022.

As at 30 June 2022, the net current assets of the Group were approximately US$73.3 million (31 December 2021: approximately US$61.1 million) and the current ratio was 2.8 (31 December 2021: 2.1).

As at 30 June 2022, the Group's cash and cash equivalents amounted to approximately US$53.2 million (31 December 2021: approximately US$32.5 million). As at 30 June 2022, the Group had pledged bank deposits of approximately US$12.5 million (31 December 2021: approximately US$15.9 million) to secure the bill payables of the Group and bank borrowings of a fellow subsidiary.

The Group's borrowings as at 30 June 2022 amounted to approximately US$19.7 million (31 December 2021: approximately US$24.7 million), which were fully repayable within 1 year (31 December 2021: repayable within 1 year).

The exposure of the Group's transactional currency to foreign currency risk was minimal as the majority of the financial assets and liabilities held by the subsidiaries of the Group are denominated in the respective functional currency of the subsidiaries. The Group currently does not have any foreign currency hedging policy. However, the management would closely monitor foreign exchange exposure and would consider hedging foreign currency exposure when necessary.

Charges on assets

As at 30 June 2022, pledged bank deposits of approximately US$12.5 million (31 December 2021: approximately US$15.9 million) and bills receivables amounting to approximately US$12.1 million (31 December 2021: approximately US$19.2 million) were pledged to secure the bills payables of the Group and bank borrowings of a fellow subsidiary.

Human resources

The Group had over 621 employees as at 30 June 2022. Staff remuneration of the Group, including salary, allowances, medical insurance and provident fund, is determined with reference to individual performance, professional qualifications, experience in the industry and relevant market trends.

Salaries of employees of the Group have been maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic condition. The Group provides career advancement training in the form of internal courses and workshops for staff and encourages staff to participate in training programmes related to the Group's business.

OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2022.

Future Plans Relating to Material Investment or Capital Assets

Save as disclosed in this announcement, the Group has no plans for material investments or capital assets as at 30 June 2022.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

The table that follows outlines details of the ordinary shares of the Company purchased by the Company on a monthly basis during the six months ended 30 June 2022. The total number of shares purchased was 6,400,000 during the six months ended 30 June 2022. All shares purchased were subsequently cancelled.

	No. of Shares	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Average price paid per share** *(HK$)*	**Aggregate price paid** *(HK$)*
June 2022	6,400,000	1.62	1.39	1.57	10,062,570

On 7 April 2022, the Company and the placees entered into the subscription agreements, pursuant to which the placees conditionally agreed to subscribe and the Company conditionally agreed to allot and issue a total of 49,520,000 placing shares at a placing price of HK$1.20 per placing share. The placing of 49,520,000 shares was completed on 20 April 2022. For details, please refer to the paragraph headed "FINANCIAL REVIEW – Liquidity, financial resources and capital structure" in this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2022.

Compliance with the Corporate Governance Code

During the six months ended 30 June 2022, the Company has complied with the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Listing Rules except with a deviation from paragraph B.3.1 of the CG Code for the period from 1 January 2022 to 23 March 2022. The Company has established the nomination committee on 23 March 2022 with written terms of reference in compliance with paragraph B.3.1 of the CG Code. Prior to the establishment of the nomination committee, the remuneration committee of the Company has been delegated the functions of a nomination committee since the Company's listing on the Main Board of the Stock Exchange in 2010.

Review of Unaudited Financial Statements

The audit committee of the Company (the "Audit Committee") comprises of three independent non-executive Directors, namely Mr. Chan Kee Huen, Michael (Chairman), Mr. Yeung Tak Bun, Allen and Ms. Chan Ching Har, Eliza.

The Company's unaudited interim results for the six months ended 30 June 2022 have been reviewed by the Audit Committee together with management of the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.com.hk) and on the website of the Company (www.lansen.com.cn). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the period.

By order of the Board
Lansen Pharmaceutical Holdings Limited
Wu Zhen Tao
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the executive managing Director is Mr. Chen Li; the non-executive Directors are Mr. Wu Zhen Tao and Ms. Liu Xuezi; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen and Ms. Chan Ching Har, Eliza.