CHINA MEDICAL SYSTEM HOLDINGS LIMITED

康哲藥業控股有限公司 *

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 867)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND RE-DESIGNATION OF DIRECTOR

The board of Directors (the "Board") of China Medical System Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "CMS") for the six months ended 30 June 2024 (the "Reporting Period").

Financial Highlights

- Turnover down 21.7% to RMB3,611.1 million (H1 2023: RMB4,610.1 million); in the case that all medicines were directly sold by the Group, turnover down 22.6% to RMB4,287.5 million (H1 2023: RMB5,536.6 million). Turnover up 6.1% from (H2 2023: RMB3,403.2 million); in the case that all medicines were directly sold by the Group, turnover up 8.9% from (H2 2023: RMB3,935.6 million)
- Gross profit down 25.2% to RMB2,696.5 million (H1 2023: RMB3,605.9 million); in the case that all medicines were directly sold by the Group, gross profit down 24.7% to RMB2,686.9 million (H1 2023: RMB3,567.3 million). Gross profit up 7.7% from (H2 2023: RMB2,503.3 million); in the case that all medicines were directly sold by the Group, gross profit up 8.1% from (H2 2023: RMB2,486.4 million)
- Profit for the period down 52.8% to RMB903.4 million (H1 2023: RMB1,916.0 million), up 92.8% from (H2 2023: RMB468.5 million); after deducting the effect of impairment losses provided for assets, profit for the period up 16.4% to RMB923 .4 million from (H2 2023: RMB793.4 million)
- Basic earnings per share down 52.3% to RMB0.3734 (H1 2023: RMB0.7835), up 90.8% from (H2 2023: RMB0.1957)
- As at 30 June 2024, the Group's bank balances and cash amounted to RMB3,914.4 million while readily realizable bank acceptance bills amounted to RMB158.5 million
- Declared interim dividend per share of RMB0.1507, down 51.9% from (H1 2023: RMB0.3134), up 92.5% from (H2 2023: RMB0.0783)

**For Identification Only*

Business Highlights

In the first half (H1) of 2024, the Group's products Ursofalk and Plendil have continued to be affected by the implementation of the eighth batch of National Volume Based Procurement ("National VBP"), which had a negative impact on the Group's financial performance. In the case that all medicines were directly sold by the Group, the total revenue of the three National VBP products (Deanxit, Ursofalk, and Plendil) decreased by RMB1,196.9 million, a decrease of 49.2% compared with the same period last year. However, the Group's overall turnover and profit for the period both showed a growth trend compared to the second half (H2) of the previous year, indicating that the Group has basically digested the negative impact of National VBP and entered the "New Product Era" where non-national VBP exclusive and innovative products drive its growth. In the H1 of 2024, in the case that all medicines were directly sold by the Group, the total revenue of non-national VBP exclusive products and innovative products was RMB2,404.7 million, accounting for 56.1% of the Group's revenue. The Group will continue to promote the commercialization of more differentiated innovative products every year in the future, solidifying the foundation for its sustainable, quality and rapid development.

Four Innovative Drugs Entered Large-scale Clinical Application

In 2023, four innovative drugs were all approved for marketing in China and included in the NRDL. During the Reporting Period, the Group has actively advanced works such as hospital development and Real World Studies (RWS) planning, enhancing academic promotion model of innovative products driven by medical evidence.

- VALTOCO - the first Diazepam Nasal Spray approved for marketing in China, which can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy.
- ILUMETRI - a monoclonal antibody specifically targeting to the p19 subunit of IL-23, can provide a new treatment option for psoriasis patients, with lower dosing frequency. The results of its Phase III clinical trial in China were published in "Chinese Medical Journal" in January.
- METOJECT - China's first pre-filled MTX Injection for subcutaneous administration for the treatment of psoriasis.
- VELPHORO - the first iron-based, non-calcium PB approved in China, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12 to 18 years old with CKD stages 4-5 or CKD on dialysis.

One Innovative Drug Newly Approved for Marketing in China

- LUMEBLUE - was approved for marketing in China in June, becoming the first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, and a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy.

China's Clinical Development of Innovative Drugs Advanced in an Orderly Manner

- An additional indication of METOJECT for the treatment of active RA in adult patients has been under review for its NDA in China during the Reporting Period; it was approved for marketing in China in July, becoming the first methotrexate prefilled injection to treat RA by subcutaneous administration in China.
- Desidustat Tablets - a novel oral HIF-PHI for treating anaemia in non-dialysis adult, CKD patients, has been under review for its NDA in China.
- As of the end of the Reporting Period, ruxolitinib cream, the first and only topical JAK inhibitor approved by the U.S. FDA and the European EMA for repigmentation in vitiligo, was approved for marketing in Macau in April. The Group has completed the Pivotal Real World Study for the product's vitiligo indication and is advancing the registration application process in Mainland China.
- Y-3 for Injection - a novel brain cytoprotectant that treats stroke, which is a Class I innovative drug - small molecule compound, has completed the Phase II clinical trial. In July, it has completed the first subject enrollment for its Phase III clinical trial.

In-house R&D steadily advanced

- VEGFA/ANG2 Tetravalent Bispecific Antibody - a Class I Innovative biological agent for the treatment of ocular fundus neovascular diseases, which is currently advancing Phase I/II clinical trial through multi-centers in China, has completed the enrollment of all subjects in Phase I clinical trial, and is steadily advancing towards Phase II clinical trial.
- Highly Selective TYK2 Inhibitor CMS-D001 Tablets (intended for psoriasis) and GnRH Receptor Antagonist CMS-D002 Capsules (intended for the treatment of moderate to severe pain associated with endometriosis) have obtained approvals for China clinical trials, and are steadily advancing towards Phase I clinical trials, among which, CMS-D002 has completed the dosing for the first subject in June.

Innovation Pipeline Continued to Expand

- In March, the Group entered into another Collaboration and License Agreement with Incyte, for selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of diseases such as non-segmental vitiligo and HS, and gained an exclusive license to research, develop, register and commercialize the product in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries, and a non-exclusive license to manufacture the product in CMS's Territory.

Light Medical Aesthetic Portfolio Continued to Expand

- Besides Poly-L-lactic Acid Microparticle Filler Injection (which is under review for its China's medical device registration application), newly obtained the exclusive licenses in China for three regenerative light medical aesthetic injectable products, which are in China's registrational clinical trials, Polycaprolactone Microsphere Gel for Injection, Calcium Hydroxylapatite Microsphere Gel for Injection and Decellularized Extracellular Matrix Implant; expected to synergize with the existing marketed Korean hyaluronic acid product, Vmonalisa, to create a comprehensive and refined facial rejuvenation solution.
- FUBA 5200, a focused ultrasound and non-invasive body shaping device with independent intellectual property right, is under review for China's medical device registration application.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	NOTES	Six months ended 30 June 2024	2023
		RMB'000 (unaudited)	RMB'000 (unaudited)
Turnover	3	3,611,069	4,610,127
Cost of goods sold		(914,569)	(1,004,237)
Gross profit		2,696,500	3,605,890
Other income		144,457	133,710
Other gains and losses		(24,697)	97,262
Selling expenses		(1,400,459)	(1,339,620)
Administrative expenses		(361,505)	(317,984)
Research and development expenses		(105,575)	(75,740)
Finance costs		(21,649)	(21,208)
Share of results of associates		209,596	197,816
Share of results of a joint venture		(332)	2,466
Profit before tax		1,136,336	2,282,592
Income tax expense	4	(232,934)	(366,641)
Profit for the period	5	903,402	1,915,951
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		2,512	15,565
Exchange differences arising on translation of foreign operations		1,204	7,962
Exchange differences arising on translation of interest in associates		(6,176)	14,882
Change in fair value on cash flow hedges			
- fair value loss		-	(8,902)
- deferred tax relating to change in fair value		-	652
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) on equity instrument at fair value through other comprehensive income		(81,443)	(12,467)
Other comprehensive (expense) income for the period, net of income tax		(83,903)	17,692
Total comprehensive income for the period		819,499	1,933,643
Profit (loss) for the period attributable to:			
Owners of the Company		910,426	1,921,056
Non-controlling interests		(7,024)	(5,105)
		903,402	1,915,951
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		826,523	1,938,748
Non-controlling interests		(7,024)	(5,105)
		819,499	1,933,643
		RMB	RMB
Earnings per share	7		
Basic		0.3734	0.7835

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024

	NOTES	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		378,187	397,616
Right-of-use assets		78,738	76,124
Interest in associates		3,392,512	3,271,934
Interest in a joint venture		178,717	179,049
Intangible assets		2,275,722	2,216,092
Goodwill		1,547,903	1,547,903
Equity instruments at fair value through other comprehensive income		82,450	163,893
Deposits paid for acquisition of intangible assets		1,364,827	1,013,395
Amount due from an associate	9	30,000	30,000
Deferred tax assets		42,758	40,396
		9,371,814	8,936,402
Current assets			
Inventories		638,495	637,636
Financial asset at fair value through profit or loss		2,129,185	1,832,258
Trade and other receivables and prepayments	8	1,592,360	1,568,587
Loan receivable		35,635	35,945
Tax recoverable		804	784
Derivative financial instruments		5,133	-
Amount due from associates	9	461,340	408,167
Bank balances and cash		3,914,372	4,311,058
		8,777,324	8,794,435
Current liabilities			
Trade and other payables	10	632,623	436,976
Lease liabilities		14,646	15,416
Contract liabilities		19,333	12,733
Bank borrowings		1,106,525	1,269,650
Derivative financial instruments		-	17,227
Deferred consideration payables		-	1,000
Tax liabilities		275,570	295,784
		2,048,697	2,048,786
Net current assets		6,728,627	6,745,649
Total assets less current liabilities		16,100,441	15,682,051

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Capital and reserves		
Share capital	83,564	83,991
Reserves	15,832,782	15,436,217
Equity attributable to owners of the Company	15,916,346	15,520,208
Non-controlling interests	55,650	36,199
	15,971,996	15,556,407
Non-current liabilities		
Deferred tax liabilities	107,830	108,973
Lease liabilities	20,615	16,671
	128,445	125,644
	16,100,441	15,682,051

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

In the current interim period, the Group has applied, for the first time, certain revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements. The application of revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

The Group mainly sells pharmaceutical products to distributors throughout the PRC and provides promotion services to certain pharmaceutical manufacturers.

For sales of pharmaceutical products to customers, revenue is recognised at a point in time when control of the pharmaceutical products is passed to customers, i.e. when the products are delivered and titles have passed to customers upon receipt by customers.

For provision of promotion services to customers, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for the pharmaceutical products to be provided by suppliers to distributors.

The following is an analysis of the Group's revenue from its major products and services:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Sales of pharmaceutical products	2,685,638	3,278,537
Promotion income	925,431	1,331,590
	3,611,069	4,610,127

The Group determines its operating segments based on the internal reports reviewed by the chief operating decision maker, the Executive Directors of the Company that are used for resources allocation and assessment of segment performance.

During the Reporting Period, the Group has one reportable operating segment that is research and development, promotion, sales and manufacturing of pharmaceutical products. No operating results and discrete financial information is available for the assessment of performance of the respective business divisions and resources allocation purpose. Therefore, no analysis of the Group's revenue, results, assets and liabilities by operating segments is presented.

The sale and promotion income of the Group are generated from external customers, which are primarily located in the PRC.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	132,256	166,168
Hong Kong Profits Tax	2,493	43,559
Macau Complementary Income Tax	10,888	84,885
Dubai Tax	5,802	-
Withholding tax	85,000	83,198
	236,439	377,810
Deferred taxation:		
Current period	(3,505)	(11,169)
Income tax expense for the period	232,934	366,641

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	23,330	22,495
Amortisation of intangible assets (included in cost of goods sold)	90,733	81,050
Cost of inventories recognised as an expense	820,236	918,741
Interest income	(67,066)	(64,876)
Net exchange loss (gain)	2,584	(69,095)

6. DIVIDENDS

During the Reporting Period, a final dividend of RMB 0.0783 per share in respect of the year ended 31 December 2023 (six months ended 30 June 2023: RMB0.2414 per share in respect of the year ended 31 December 2022) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid during the Reporting Period amounted to RMB191,991,000 (six months ended 30 June 2023: RMB591,910,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of RMB0.1507 per share and amounting to RMB364,171,000 (six months ended 30 June 2023: RMB0.3134 per share and amounting to RMB768,453,000) will be paid to the owners of the Company.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	910,426	1,921,056
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,438,355,600	2,451,988,512

The computation of diluted earnings per share for the six months ended 30 June 2023 did not assume the exercise of put options by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for the period.

No diluted earnings per share for the six months ended 30 June 2024 was presented as there were no potential ordinary shares in issue for the period.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Trade receivables	1,137,658	1,156,770
Less: Allowance for credit losses	(10,002)	(10,032)
	1,127,656	1,146,738
Bills receivables	158,490	180,960
Purchase prepayment	201,188	148,939
Other receivables and deposits	105,026	91,950
	1,592,360	1,568,587

The Group normally allows a credit period ranging from 0 to 90 days to its trade customers, but longer credit period up to four months is allowed to some selected customers.

An aging analysis of the trade receivables (net of allowance for credit losses) presented based on the dates of receipt of goods at the respective reporting dates, which approximated the respective revenue recognition date, is as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
0 - 90 days	1,105,315	1,127,469
91 - 365 days	20,724	19,269
Over 365 days	1,617	-
	1,127,656	1,146,738

The bills receivables of the Group are of the age within six months at the end of the Reporting Period.

9. AMOUNT DUE FROM ASSOCIATES

As at 30 June 2024, the balance of approximately RMB30,000,000 (31 December 2023: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for an exclusive distribution right.

As at 30 June 2024, the balance of approximately RMB461,340,000 (31 December 2023: RMB 408,167,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical and ETC. The Group allows a credit period of 90 days to associates. The balance as at 30 June 2024 was aged within three months (31 December 2023: within three months) based on the invoice date.

10. TRADE AND OTHER PAYABLES

An aging analysis of the trade payables presented based on the invoice date at the end of the Reporting Period is as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
0 - 90 days	176,041	136,568
91 - 365 days	3,389	4,171
Over 365 days	3,077	925
Trade payables	182,507	141,664
Payroll and welfare payables	206,607	178,074
Other tax payables	46,312	21,222
Accrued promotion expenses	116,599	39,177
Accruals	65,793	42,609
Other payables	14,805	14,230
	632,623	436,976

The credit period on purchases of goods ranges from 0 to 120 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

CMS is a platform company linking pharmaceutical innovation and commercialization with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

Deeply rooted in the China's pharmaceutical market for thirty-two years, the Group has possessed clinical demand-oriented product identification and project management capabilities, proven clinical development and commercialization capabilities, and substantial cash flow. Leveraging core advantages and driven by an innovation strategy of "Collaborative R&D and In-house R&D", we have collaborated extensively with global innovation forces, to continuously deploy global first-in-class (FIC) and best-in-class (BIC) innovative products, and efficiently promote their clinical development and commercialization processes, empowering the continuous transformation of scientific research outcomes into clinical practices and benefiting numerous patients. As of the end of the Reporting Period, the Group had deployed approximately thirty innovative products with differentiated competitive advantages, and at various developmental stages, among which, five innovative drugs have been successfully approved for marketing in China, and four of them have entered large-scale clinical applications.

Focused on specialty therapeutic fields, such as cardio-cerebrovascular, central nervous system, gastroenterology, dermatology, and ophthalmology, with its mature commercialization system, extensive channel coverage and expert resources, the Group has gained leading academic and market positions for its major marketed products. Focused on the specialty areas while expanding its business boundaries, the Group continues to strengthen the competitiveness of cardio-cerebrovascular/gastroenterology business, and simultaneously promotes the scale efficiency of dermatology/medical aesthetics and ophthalmology business, aiming to gain leading positions in specialty therapeutic markets. Additionally, the Group's Southeast Asia business continues to improve its platform business structure integrating "R&D, manufacture, and commercialization", fully empowering the internationalization of quality Chinese and global pharmaceutical products to Southeast Asia.

Business Review

In recent years, accelerated population aging, combined with increased public health awareness has led to a further expansion of rigid healthcare demands. Meanwhile, under the main theme of "Building New Quality Productivity", China's pharmaceutical industry is shifting from short-term "steady development with efficiency" to long-term "striving for innovation". This dynamic drives the continuous iteration and breakthrough in biotechnology, leading to a more resilient and vibrant development of the industry.

The year 2024 not only marks the first year of the commercialization of our innovative products, but also a crucial point for the release of National VBP impact on our financial performance. After over six years of relentless innovation transformation and accumulation, the Group has embarked on a new chapter of innovative development, to embrace "New CMS, New Rise".

The Group has three original drugs affected by National VBP, with Deanxit included in the seventh batch of National VBP, Plendil and Ursofalk included in the eighth batch of National VBP. The seventh and eighth batches were implemented successively in November 2022 and July 2023 respectively, and Deanxit, Plendil and Ursofalk were not selected, which had a negative impact on the Group's financial performance. In the first half (H1) of 2024, the Group's overall turnover and profit for the period decreased compared with the same period last year, but showed an improving trend compared to the second half (H2) of last year, specifically as follows:

The Group recorded a turnover of RMB3,611.1 million, representing a decrease of 21.7% over H1 2023 (H1 2023: RMB4,610.1 million), an increase of 6.1% over H2 2023 (H2 2023: RMB3,403.2 million). In the case that all medicines were directly sold by the Group, the turnover was RMB4,287.5 million, representing a decrease of 22.6% over H1 2023 (H1 2023: RMB5,536.6 million), an increase of 8.9% over H2 2023 (H2 2023: RMB3,935.6 million).

Profit for the period was RMB903.4 million, representing a decrease of 52.8% over H1 2023 (H1 2023: RMB1,916.0 million), an increase of 92.8% over H2 2023 (H2 2023: RMB468.5 million). After deducting the effect of impairment losses provided for assets, profit for the period up 16.4% to RMB923 .4 million over H2 2023 (H2 2023: RMB793.4 million).

During the Reporting Period, the Group has reached a new milestone in innovation development: the approval of LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) in China has marked its fifth commercialized innovative drug. Guided by the "patient-oriented" philosophy, the Group adheres to medical evidence driven academic promotion for its innovative products, to accelerate brand building, channel expansion and market penetration. It also introduced new share award schemes related to "New Product Launch" and "New Product Sales", to keep motivating employees striving for excellence for the approvals and sales of new products. Concurrently, the Group has enhanced its management efficiency and capabilities of the entire lifecycle of innovative products, by promoting standardization and digitalization development of its product management and commercialization systems. These efforts are expected to support CMS to deliver more novel and quality drugs with greater efficiency and cost control, expediting the access of innovative therapies to a wider range of patients.

As the impact of National VBP being gradually digested, CMS has successfully entered the "New Product Era", where exclusive and innovative products drive its growth. The Group will embrace a new and quality development cycle with a healthier product portfolio.

I. Innovative R&D

The Group promotes innovation development through a two-wheel drive of "Collaborative R&D and In-house R&D". By initiating R&D project with a commercial perspective and closely following the frontline medical needs, it deploys differentiated innovative products which can address unmet clinical needs, and efficiently promotes the clinical development and large-scale clinical application, achieving a rapid transformation of scientific outcomes into social and commercial values.

1. Entering the "Innovative Product Era"

After over six years of persistent innovation and transformation, the Group has achieved fruitful innovation outcomes, strongly demonstrating its efficient clinical development and registration capabilities, and significantly reinforcing the competitive barriers of its existing specialty therapeutic business. As of the end of the Reporting Period, the Group's innovative portfolio approved for marketing in China has been expanded into 5 products, among which, four innovative drugs, VALTOCO, ILUMETRI, METOJECT - psoriasis and VELPHORO, have been included in the National Reimbursement Drug List (NRDL) and entered large-scale clinical application; one innovative drug, LUMEBLUE, was approved for marketing in China during the Reporting Period.

Meanwhile, the Group has steadily advanced the clinical development of innovative pipelines. During the Reporting Period, two products, METOJECT - rheumatoid arthritis (was approved for marketing in China in July) and Desidustat Tablets have been under review for their New Drug Application (NDA) in China; and a total of about ten projects have been prepared/launched for their registrational clinical trials, mainly randomized controlled trials (RCT).

Additionally, the Group has continued to strengthen its foundational research and independent innovation capabilities. Since 2021, leveraging on its professional teams and innovative products lifecycle management system from target selection, preclinical research to clinical development, the Group has focused on the novel and popular targets in specialty areas, initiating independent innovative biotechnology innovation. As of the end of the Reporting Period, the Group has successfully advanced over ten in-house R&D projects, among which, three innovative drugs (VEGFA/ANG2 Tetravalent Bispecific Antibody, Highly Selective TYK2 Inhibitor CMS-D001 Tablets and GnRH Receptor Antagonist CMS-D002 Capsules) have entered clinical development.

1.1 Innovative Drugs with Large-scale Clinical Application

- **VALTOCO (Diazepam Nasal Spray) - the first Diazepam Nasal Spray approved for marketing in China, which can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option for seizure clusters of patients with epilepsy**

In June 2023, VALTOCO was approved for marketing in China. In December 2023, it was included in the Category B of the NRDL, and subsequently issued its prescriptions in hospitals across China. During the Reporting Period, different levels of academic activities have been held focusing on its unique clinical value of "Convenient Pre-hospital Seizure Rescue". Meanwhile, "CAAE Epilepsy Care Fund - CMS Fund Project" was established to support the care and educational activities for epilepsy patients, enhancing doctors and patients' awareness of the product. As of the end of the Reporting Period, VALTOCO has been included in the "Chinese Expert Consensus on Diagnosis and Treatment of Dravet Syndrome" published in the "Journal of Epilepsy" and the "Clinical Diagnosis and Treatment Strategy of Dravet Syndrome" published in the "Chinese Journal of Pediatrics".

VALTOCO is the first drug approved by the China National Medical Products Administration (NMPA) for the treatment of cluster seizures. It is indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older.

VALTOCO is a proprietary formulation of diazepam administered through the nasal mucosa, with high bioavailability, outstanding absorbability, tolerability and reliability. VALTOCO's product formulation incorporates a combination of Vitamin E-based solvents and Intravail® absorption enhancer. Intravail® transmucosal absorption enhancement technology enables the non-invasive delivery of a broad range of proteins, peptides and small-molecule drugs.

- **ILUMETRI (Tildrakizumab Injection) - a monoclonal antibody specifically targeting to the p19 subunit of IL-23, can provide a new treatment option for psoriasis patients, with lower dosing frequency**

In May 2023, ILUMETRI was approved for marketing in China. In December 2023, it was included in the Category B of the NRDL, and subsequently issued its prescriptions in hospitals across China. During the Reporting Period, focusing on its differentiated advantages in low injection frequency and good long-term efficacy, the Group has accelerated ILUMETRI's deployment in hospitals and dual-channel pharmacy. As of the end of the Reporting Period, the product has been unanimously recommended by authoritative psoriasis diagnosis and treatment guidelines in China, the United States, Europe, the United Kingdom, Germany and other countries and regions around the world, and also recommended by the "Chinese Psoriasis Diagnosis

and Treatment Guidelines (2023 Edition)" issued by the Dermatology and Venereology Branch of the Chinese Medical Association.

ILUMETRI is a humanized lgG1/κ monoclonal antibody designed to selectively bind to the p19 subunit of interleukin-23 (IL-23) and inhibit its interaction with the IL-23 receptor, thereby suppressing the release of pro-inflammatory cytokines and chemokines. The product is approved by China NMPA for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy. ILUMETRI requires only 4 administrations per year during its maintenance period, which may lead to higher patient compliance.

Results from a Phase III clinical trial in China for the basic and extended study of Tildrakizumab Injection demonstrated that, the primary efficacy assessment indicator PASI 75 response rate continued to increase over treatment time. The PASI 75 response rate reached a high level after 28 weeks of treatment with ILUMETRI and maintained at 91.3% at week 52, and the product showed good long-term safety and tolerance. This study results were officially published in the academic journal "Chinese Medical Journal" in January 2024.

- **METOJECT (Methotrexate Injection) - China's first pre-filled Methotrexate (MTX) Injection for subcutaneous administration for the treatment of psoriasis**

In March 2023, METOJECT was approved for marketing in China and subsequently included in the Category A of the NRDL. In October 2023, its first prescription in China was issued. During the Reporting Period, the Group accelerated channel development and market access in hospitals and pharmacies closed-to-hospitals by reinforcing the traditional medicine position of methotrexate in the treatment of psoriasis, and exerting its differentiated advantages in convenience and safety of subcutaneous administration to promote the combination, substitution, or supplementation of existing therapies. METOJECT has been unanimously recommended by many authoritative diagnosis and treatment guidelines for psoriasis indications, and been included in the "Chinese Psoriasis Diagnosis and Treatment Guidelines (2023 Edition)" published by the "Chinese Journal of Dermatology", and "Expert Guidance on Subcutaneous Injection of Methotrexate for the Treatment of Psoriasis" published by the "Chinese Journal of Dermatology and Venereology".

METOJECT is the first subcutaneously administered MTX pre-filled injection in China. It has been approved by China NMPA for the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids.

MTX has anti-inflammatory, anti-proliferative and immunomodulatory effects, and is currently one of the

most effective traditional drugs for the treatment of psoriasis. However, oral MTX has poor patient compliance due to relatively large gastrointestinal side effects. The product is administered subcutaneously (this form of administration was recommended by domestic and overseas guidelines), which can increase bioavailability, and has lower side effects than oral MTX, in particular less adverse reactions in the gastrointestinal tract, and can improve patient treatment compliance. The product is MTX pre-filled injection, which is available in a variety of small-capacity strengths, allowing patients to self-administer medication at home under the judgment and guidance of a doctor to facilitate long-term disease management.

- **VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) - the first iron-based, non-calcium phosphate binder (PB) approved in China, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12 to 18 years old with CKD stages 4-5 or CKD on dialysis**

In February 2023, VELPHORO was approved for marketing in China for the control of serum phosphorus (sP) levels in adults with chronic kidney disease (CKD) on hemodialysis (HD) or peritoneal dialysis (PD), and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4-5 (defined as glomerular filtration rate <30mL/min/1.73 m^2) or CKD on dialysis. In December 2023, the product was included in the Category B of the NRDL. In February, 2024, the Group obtained an exclusive license of VELPHORO to register, import, promote, distribute, use and sell the product in Mainland China, Hong Kong Special Administrative Region ("Hong Kong"), Macau Special Administrative Region ("Macau") and Taiwan Region, and subsequently issued its first prescription in China. During the Reporting Period, leveraging on the Group's academic resources in nephrology and the product's differentiated academic advantage in "achieving target with good sP levels reduction", and via multi-level academic conferences, the Group enhanced the brand recognition of VELPHORO, as a first-line treatment for reducing sP levels and pediatric drug, and achieved rapid channel development and market access nationwide.

VELPHORO is a new generation of iron-based, non-calcium PB, reducing sP levels of patients and increasing the sP compliance rate. It is demonstrated in multiple global clinical studies and real-world research data (as published in academic journals including International Urology and Nephrology, and Clinical Nephrology) and the Chinese instruction of the product that compared with other PBs, patients maintained on VELPHORO used about 50% fewer PB pills/day, and the proportion of patients achieving target sP increased by 95%. VELPHORO has characteristics of good safety and patient compliance without risk of calcium and heavy metal accumulation. In addition, the product holds the advantages of unaffected absorption of oral liposoluble vitamin D, maintaining stable iron parameters, improving the nutritional status in patients, reducing hospitalization rates, and alleviating patients' medical financial burdens.

1.2 Newly Approved Innovative Drug

- **LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) - the first Methylthioninium Chloride Enteric-coated Sustained-release Tablets in China, and a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy**

In June 2024, LUMEBLUE was approved for marketing in China, which is indicated to enhancing visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy. The Group is actively promoting the commercialization of the product, including its market access and academic promotion.

LUMEBLUE is an oral diagnostic drug that uses patented multi-matrix (MMX) technology to deliver active substances directly to the colon and release them locally in a controlled manner. As an enhancer dye, LUMEBLUE increases the contrast between colorectal lesions and healthy mucosa. The results of the Phase III clinical trial in China show that LUMEBLUE can significantly improve the detection rate of non-polypoid colorectal lesions (the primary endpoint of the study), leading to an improved detection rate of dangerous lesions such as non-polypoid adenomas (the secondary endpoint). In addition, the product can be taken during the bowel preparation step, ensuring that colorectal staining is completed by the time colonoscopy is conducted. This not only enhances the detection rate of colorectal lesions but also potentially simplifies the colonoscopy procedure.

1.3 Innovative Drugs in China's Clinical Development

- **Methotrexate Injection - for the treatment of rheumatoid arthritis (RA) - is the first pre-filled MTX injection to treat RA by subcutaneous administration in China (approved in Europe, Australia, Japan)**

During the Reporting Period, the NDA for an additional indication of Methotrexate Injection for the treatment of active RA in adult patients was under Center for Drug Evaluation (CDE)'s review; in July 2024, it was approved for marketing in China

Methotrexate is recognized internationally as the first choice first-line and anchor drug for the treatment of RA. The bridge clinical trial of the product in China aims to compare the changes of DAS28-ESR score of patients with RA treated by methotrexate injection and methotrexate tablets compared with the baseline, and to judge whether the non-inferiority is established. The study reached the preset main endpoint, and the experimental group (given the product) was not inferior to the control group (given methotrexate tablets). In addition, the results of secondary efficacy indicators suggest that the efficacy of the product is significantly better than that of methotrexate tablets or there is a trend of better. The results also show that some of the curative effects that can be observed in the early stage of the product are more obvious than those of methotrexate tablets, suggesting that the curative effect of the product appears earlier. The product has some

advantages over methotrexate tablets in gastrointestinal safety, and no new safety risks have been found in the Study.

- **Desidustat Tablets - a novel oral HIF-PHI**

In April 2024, the NDA for Desidustat Tablets was accepted by NMPA of China.

Desidustat Tablets is a novel, oral Hypoxia-Inducible Factor-Prolyl Hydroxylase Inhibitor (HIF-PHI) for treating anaemia in non-dialysis adult, CKD patients. China Phase III trial of the product has demonstrated positive results. The primary endpoint of the haemoglobin (Hb) mean change from baseline to the period of Week 7-9 has indicated that, Desidustat is more effective than placebo in increasing Hb level. The product is administrated orally, thus expecting to improve the treatment compliance of patients and to meet the unmet treatment needs in the field of CKD anaemia, including both dialysis and non-dialysis patients.

- **Ruxolitinib cream - As of the end of the Reporting Period, the product is the first and only topical JAK inhibitor approved by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA) for repigmentation in vitiligo**

During the Reporting Period, the Group is steadily advancing the clinical development and registration of ruxolitinib cream in China. In April 2024, the Pharmaceutical Administration Bureau (ISAF) of Macau has approved the new drug application of ruxolitinib cream, for the treatment of non-segmental vitiligo with facial involvement in adults and adolescents from 12 years of age.

Ruxolitinib cream is not approved by the NMPA for any indication in Mainland of China. However, on 12 August 2023, the product was approved by Hainan Medical Products Administration for Urgent Clinical Import, and officially became available to applicable patients in the Hainan Boao Lecheng International Medical Tourism Pilot Zone (the "Pilot Zone") on 18 August, for the topical treatment of non-segmental vitiligo in adults and adolescents aged 12 and above with facial involvement. Benefiting from the Early and Pilot Implementation Policy granted by the state to Hainan Free Trade Port and the Pilot Zone, patients with vitiligo in China can apply for the product in Boao Super Hospital first and receive treatment from the expert team. As of the end of the Reporting Period, more than 3,200 patients have been treated with ruxolitinib cream. The Group has completed the Pivotal Real World Study for the product's vitiligo indication and is advancing the registration application process in Mainland China.

In addition, NMPA of China has approved the application to conduct a phase III clinical trial evaluating ruxolitinib cream for the treatment of atopic dermatitis (AD) in March 2024. This trial is a randomized, double-blind, placebo-controlled phase III clinical trial evaluating the efficacy and safety of ruxolitinib cream in the treatment of atopic dermatitis in Chinese patients. The trial, led by Shanghai Skin Disease

Hospital, will be conducted in 20 sites nationwide aiming to enroll approximately 192 AD patients, and has completed the dosing for the first subject in June 2024.

Ruxolitinib cream is a novel cream formulation of Incyte's selective JAK1/JAK2 inhibitor ruxolitinib. As of the end of the Reporting Period, the product is the first and only topical JAK inhibitor approved for use in the United States, indicated for the topical treatment of nonsegmental vitiligo in adult and pediatric patients 12 years of age and older and for the topical short-term and non-continuous chronic treatment of mild to moderate AD in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies, or when those therapies are not advisable. Use of ruxolitinib cream in combination with therapeutic biologics, other JAK inhibitors, or potent immunosuppressants, such as azathioprine or cyclosporine, is not recommended.

- **Y-3 for Injection – a novel brain cytoprotectant that treats stroke**

During the Reporting Period, Y-3 for Injection has completed the Phase II clinical trial. In July, it has completed the first subject enrollment for its Phase III clinical trial.

Y-3 for Injection is a Class 1 innovative drug - small molecule compound, which is used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke. The mechanism of action of the product is to dissociate PSD-95 and nNOS coupling and activate α2-GABAA receptors. With its clear mechanism of action, the product is conducive to exerting brain cytoprotection effects. The results of Phase II clinical trial of the product for the treatment of acute ischemic stroke indicate that among patients with ischemic stroke within 48 hours of onset, compared to placebo, Y-3 (20mg, 40mg, 60mg, qd) demonstrated an increased proportion of patients achieving a favorable functional outcome at 90 days.

2. Replenishment of Pipeline

- **Povorcitinib - a selective small-molecule JAK1 Inhibitor, with the potential to provide a new treatment option for patients suffering from autoimmune and inflammatory dermatologic diseases**

In March 2024, the Group entered into another Collaboration and License Agreement with Incyte, a global biopharmaceutical company, for selective oral small molecule JAK1 inhibitor povorcitinib for the treatment of non-segmental vitiligo, hidradenitis suppurativa (HS), prurigo nodularis (PN) and asthma and chronic spontaneous urticaria, and gained an exclusive license to research, develop, register and commercialize the product in Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries and a non-exclusive license to manufacture the product in CMS's Territory.

During the Reporting Period, the Group is actively advancing the preparations for clinical development of the product in China for the treatment of non-segmental vitiligo and hidradenitis suppurativa (HS). Currently,

therapeutic options for vitiligo are limited, and the condition is difficult to treat, especially for patients with moderate to severe extensive vitiligo. Povorcitinib offers a potential oral dosing therapeutic option for patients with non-segmental vitiligo, particularly those suffering from moderate to severe vitiligo. Hidradenitis suppurativa (HS) has been included in the second batch of the Rare Disease List in China. As a chronic inflammatory and recurrent dermatologic disease, it can have a profoundly negative effect on patients' quality of life. However, as of the end of the Reporting Period, there are no biologics or small molecule medicines approved by the NMPA for the treatment of hidradenitis suppurativa (HS) in China, creating an urgent need for effective therapeutic options.

Meanwhile, Incyte is advancing the Phase III clinical trials of povorcitinib for non-segmental vitiligo and hidradenitis suppurativa (HS) in multiple countries outside of China. Additionally, Phase II clinical studies of povorcitinib for prurigo nodularis (PN), asthma and chronic spontaneous urticaria are also ongoing. Previously, Incyte announced that povorcitinib had met the primary endpoint in a global multi-center Phase IIb clinical trial for non-segmental vitiligo, and also met the primary endpoint in a global multicenter Phase II clinical trial for hidradenitis suppurativa (HS).

3. Innovative Pipeline

Launched Overseas/ China or Under Marketing Application Review

Product	Rights Authorized Region**	Indication	Clinical Trial Approval	Clinical Trial for Registration	Marketing Application	Marketed	Major Marketed Regions**			
							CN	US	EU	JP
Diazepam Nasal Spray		For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older					2023.6.7	✓		
Tildrakizumab Injection (Biological Agent)		For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy					2023.5.26	✓	✓	✓
Methotrexate Injection *		Severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids					2023.3.24		✓	
		Active rheumatoid arthritis in adult patients					2024.7.30		✓	✓
Methylthioninium Chloride Enteric-coated Sustained-release Tablets		A diagnostic agent to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy					2024.6.11		✓	
Ruxolitinib cream		Topical treatment of nonsegmental vitiligo in adult and pediatric patients 12 years of age and older					Approved for marketing in Macau 2024.4.16	✓	✓	
		Topical short-term and non-continuous chronic treatment of mild to moderate atopic dermatitis in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies, or when those therapies are not advisable						✓		
Desidustat Tablets		For treating anaemia in non-dialysis adult, Chronic Kidney Disease (CKD) patients								
Cyclosporine Eye Drops 0.09%		Increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye)						✓	✓	
Latanoprost Eye Drops		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						✓		
Levetiracetam XR Tablet		Adjunctive therapy for the treatment of partial-onset seizures						✓		
BCG for Intravesical Instillation (Biological Agent)	#	Non-invasive urothelial bladder carcinoma, including curative treatment of carcinoma in situ and prophylactic treatment of recurrence							✓	
PoNS		Chronic balance deficit due to mild-to-moderate traumatic brain injury								

Marketed in China Under R&D in China Overseas Designated Asian Regions Mainland China, Hong Kong, Macao and Taiwan

* Methotrexate Injection - for the treatment of active rheumatoid arthritis in adult patients was approved for marketing in China, in July 2024

Taiwan is not included in the rights authorized region of BCG for Intravesical Instillation

** Major Marketed Regions indicate where products are approved. CMS's rights are stated by Rights Authorized Region, CMS has NO development, commercialization or other product rights in unauthorized regions.

Please refer to local prescribing information for more information, including full safety information, on CMS's marketed medicines, or on medicines marketed by CMS's collaboration partners.

Under R&D Stages

Product	Rights Authorized Region**	Indication	Pre-clinical	Clinical Trial Approval	Phase I	Phase II	Phase III	Marketing Application**
SDN-037		Eye pain and inflammation after cataract surgery						
PDP-716		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						
CF101		Psoriasis						
ACT017 (Biological Agent)		Acute phase of ischemic stroke						
Povorcitinib		Non-segmental vitiligo						
		Hidradenitis suppurativa						
CF102		Hepatocellular carcinoma						
		Non-alcoholic fatty liver disease / non-alcoholic steatohepatitis						
XF-73		Prevention of post-surgical staphylococcal infections						
Y-3 for Injection	*	Used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke						
VEGFA/ANG2 Tetravalent Bispecific Antibody (Biological Agent)		Intended for ocular fundus neovascular diseases						
TYK2 Inhibitor (CMS-D001)		Intended for psoriasis						
GnRH Receptor Antagonist (CMS-D002)		Intended for the treatment of moderate to severe pain associated with endometriosis						
~10 Self-developed Innovative Drugs		Including large molecules, small molecules and siRNA products, etc.						

China Overseas Global Designated Asian Regions Mainland China, Hong Kong, Macao and Taiwan

* Taiwan is not included in the rights authorized region of Y-3 for Injection. In July, it has completed the first subject enrollment for its Phase III clinical trial.

** Major Marketed Regions indicate where products are approved. CMS's rights are stated by Rights Authorized Region, CMS has NO development, commercialization or other product rights in unauthorized regions.

Please refer to local prescribing information for more information, including full safety information, on CMS's marketed medicines, or on medicines marketed by CMS's collaboration partners.

II. Commercialization System

After thirty-two years of cultivation and accumulation, the Group's commercial system has continued to upgrade, creating an agile organization with efficient collaboration and resource sharing. The Group has possessed verified successful experience in market access, academic promotion, brand shaping, retail

management, and government affairs. The Group has focused on in-depth development of three major specialty business areas, cardio-cerebrovascular/gastroenterology, dermatology/medical aesthetics, and ophthalmology, and expanded its business boundaries horizontally to related areas. It established a highly qualified, professional promotion team with strong execution, as well as extensive channel and resource coverage.

Four innovative drugs of the Group have entered large-scale clinical applications, covering various disease fields such as central nervous system, dermatology, nephrology, and gastroenterology, and developed synergistically with the existing marketed products in promotion team and channels. Leveraging on the opportunity of being included in the NRDL, the Group is advancing hospital development, brand building, and academic promotion driven by medical evidence. The Group is also actively conducting the Real World Studies to enrich evidence-based medicine, and rapidly improving patients' accessibility to new drugs with the help of patient aid and disease knowledge popularization programs.

Focusing on the clinical value of marketed products, the Group has explored and specified differentiated academic advantages of these products, and optimized their promotion strategies based on market feedback and competitive analysis, providing doctors and patients with more precise disease treatment solutions. In addition, the Group has continued to invest in deployment and traffic diversion of retail markets, in order to improve the depth and breadth of pharmacy coverage. Furthermore, it has empowered pharmacies to conduct health knowledge popularization through multiple new media tools, to benefit patients in improving disease awareness and consultation rate.

The Group adheres to the operation principle of "compliance first", closely aligning with national and industrial compliance trends to dynamically optimize its internal control system and supporting policies. Meanwhile, combined with supervisory methods such as unannounced inspection, special audit, and comprehensive audit, it implements regular employee training, behavior management, evaluation and assessment with upgraded digital tools, achieving refined control at every operational node.

As of the end of the Reporting Period, the Group had a promotion network covering over 55,000 hospitals and medical institutions, and approximately 280 thousand retail pharmacies in China.

1. Marketed Products

The Group's major marketed products have covered the cardio-cerebrovascular, gastroenterology, ophthalmology, dermatology and medical aesthetic fields. An information summary of major products as of the end of the Reporting Period is as follows:

Product line	Product	Indication/Function	Product Advantage
Cardio-cerebrovascular and Related Field Line	VELPHORO (Sucroferric Oxyhydroxide Chewable Tablets) (innovative drug)	For the control of sP levels in adults with CKD on hemodialysis or peritoneal dialysis, and for the control of sP levels in paediatric patients 12 years of age and older with CKD stages 4-5 or CKD on dialysis	The first iron-based, non-calcium phosphate binder (PB) approved by China NMPA, and filled the gap of phosphorus-lowering treatment for Chinese paediatric patients aged 12-18 years old with CKD stages 4-5 or CKD on dialysis
	VALTOCO (Diazepam Nasal Spray) (innovative drug)	For the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older	The first diazepam nasal spray approved by China NMPA, that can be administered at anytime and anywhere, meeting the clinical needs for accessible and convenient treatment option for epilepsy patients with seizures cluster.
	XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection) (exclusive product)	Acute decompensated heart failure	As of the end of the Reporting Period, the only Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine approved by China NMPA
	Plendil (Felodipine Sustained Release Tablets)	Hypertension and stable angina pectoris	The Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity
	Deanxit (Flupentixol and Melitracen Tablets)	Mild-to-moderate depression, anxiety and psychosomatic affections	Original reference preparation, the preferred medicine for mild to moderate anxiety and depression
Gastroenterology/ Autoimmune Related Field Line	METOJECT (Methotrexate Injection) (innovative drug)	For the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such	The first MTX pre-filled injection for subcutaneous administration for the treatment of psoriasis has been approved by China NMPA

		as phototherapy, PUVA, and retinoids	
	LUMEBLUE (Methylthioninium Chloride Enteric-coated Sustained-release Tablets) (innovative drug)	A diagnostic drug used for enhancing visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy	The first Methylthioninium Chloride Enteric-coated Sustained-release Tablets has been approved by China NMPA, and a novel solution that enhances diagnosis sensitivity in detecting lesions during colonoscopy
	Salofalk (Mesalazine)	Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn's disease	Ranking the first in the market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease in China according to 2023 IQVIA data
	Bioflor (Saccharomyces Boulardii Sachets) (exclusive product)	Diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance	Probiotics preparations with abundant medical evidence and high-level recommendations from authoritative domestic and overseas guidelines
	Combizym (Oryz-aspergillus Enzyme and Pancreatin Tablets) (exclusive product)	Dyspepsia caused by a decrease in digestive enzymes	Effective in both stomach and intestines, the recommended digestive enzyme preparation for the replacement therapy of pancreatic exocrine insufficiency
	Cidine (Cinitapride Hydrogen Tartrate Tablets) (exclusive product)	Improve the symptoms of early satiety, postprandial fullness discomfort, and abdominal distension in mild to moderate functional dyspepsia	Dual target prokinetic agent, first-line drugs for functional dyspepsia
	Ursofalk (Ursodeoxycholic Acid Capsules)	Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis	Original reference preparation, the preferred medicine for cholestatic liver disease

Dermatology Line - Related	ILUMETRI (Tildrakizumab Injection) (innovative drug)	For the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy	The monoclonal antibody that specifically targets to the p19 subunit of IL-23, and only requires 4 administrations per year during its maintenance period, which may lead to higher patient compliance
	Aethoxysklerol (Polidocanol Injection)	Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins	A German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application
	Hirudoid (Mucopolysaccharide Polysulfate Cream) (exclusive product)	Blunt traumata with and without hematomas, and superficial phlebitis that cannot be treated by compression	Repair agent for skin barrier with multiple functions
Dermatology Grade Skincare Product	Heling Soothing Product Series (including 3 products)	Skin soothing with a combination of cleansing and moisturizing which is suitable for sensitive skin	Composed of four core ingredients that can moisturize and soothe the skin, helping to repair the skin barrier
Light Medical Aesthetic Product	Vmonalisa (Modified Sodium Hyaluronate Filler for Injection)	Used for mid to deep dermal implantation for the correction of moderate to severe nasolabial folds (medium and macro particle); Used for the deep dermal to subcutaneous implantation for the correction of moderate to severe nasolabial folds (small particle)	Painless, fashionable and accessible luxury HA filler with multiple particle sizes from South Korea, featured with safety and natural looking
Ophthalmology Line - Related	Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops)	Senile macular degeneration and all forms of asthenopia	The representative medicine for the treatment of asthenopia and the safe and convenient treatment option of senile macular degeneration

	(exclusive product)		
	EyeOP1 Glaucoma Treatment Device (exclusive product)	Glaucoma with intraocular pressure that cannot be controlled by drugs and surgery	Using high-focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma
Others	Elcitonin (Elcatonin Injection)	Osteoporosis pain	Quick onset, with long-term use and good safety, for the treatment of osteoporosis pain

During the Reporting Period, major products' revenues by product lines were as follows:

- The products under cardio-cerebrovascular and related field line recorded a revenue of RMB1,516.8 million, a decrease of 28.8% compared with the same period last year. In the case that all medicines were directly sold by the Group, the revenue of products under cardio-cerebrovascular and related field line would decrease by 28.9% to RMB2,202.8 million compared with the same period last year, accounting for 51.4% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of products under gastroenterology/autoimmune related field line decreased by 25.0% to RMB1,345.7 million compared with the same period last year, accounting for 31.4% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under ophthalmology line increased by 23.9% to RMB304.3 million compared with the same period last year, accounting for 7.1% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of the products under dermatology and medical aesthetic line increased by 11.9% to RMB275.0 million compared with the same period last year, accounting for 6.4% of the Group's revenue in the case that all medicines were directly sold by the Group.

- Other products recorded revenue of RMB169.3 million, a decrease of 12.7% compared with the same period last year. In case that all medicines were directly sold by the Group, the revenue would increase by 2.7% to RMB159.8 million compared with the same period last year, accounting for 3.7% of the Group's revenue in the case that all medicines were directly sold by the Group.

During the Reporting Period, the Group's three products, including Deanxit, Ursofalk and Plendil, have been affected by the implementation of National VBP, and none of them have been selected in the National VBP. In case that all medicines were directly sold by the Group, three National VBP products recorded a total revenue of RMB1,233.4 million (1H 2023: RMB2,430.2 million), a decrease of 49.2% compared with the same period last year; meanwhile, in the case that all medicines were directly sold by the Group, the total revenue of non-national VBP exclusive products and innovative products was RMB2,404.7 million, accounting for 56.1% of the Group's revenue.

III. Dermatology and Medical Aesthetic Business

For three years since its independent operation, "CMS Skinhealth", the dermatology and medical aesthetics business of the Group, has been closely following the pace and iteration of biotechnology innovation in dermatology field. CMS Skinhealth adheres to a product layout strategy centered on dermatology prescription products, and continuously improves the construction of a full life-cycle skin-health management platform covering dermatological treatment, skincare, and medical aesthetics through internal development and external collaboration. CMS Skinhealth consists of three business units, including dermatology prescription, medical aesthetics, and new retail business. The business units work together to share resources and complement strengths of each other, and jointly promote CMS Skinhealth to realize its long-term vision of building "the largest and most professional skin-health management company in China".

Meanwhile, driven by medical science, CMS Skinhealth continuously improves the academic evidence system for dermatology prescription products and enhances treatment standardization through a patient-centered operational model. For injectable light medical aesthetic products, CMS Skinhealth actively conducts professional trainings to empower the medical aesthetics institutions, and works with the institutions collaboratively to promote the scale application of creative aesthetic concepts.

As of the end of the Reporting Period, CMS Skinhealth covered nearly 10,000 hospitals and medical institutions in China.

1. Development and Commercialization of Innovative Drugs Have Made Significant Progress, with the Competitiveness of the Dermatology Prescription Portfolio Continuously Increasing

The dermatology prescription portfolio of CMS Skinhealth has extensively covered diseases such as vitiligo, psoriasis, phlebitis, varicose veins, atopic dermatitis, and hidradenitis suppurativa, etc. During the Reporting Period, CMS Skinhealth has achieved remarkable progress in the product layout, clinical development, and commercialization of innovative products.

In terms of new product layout and development, CMS Skinhealth collaborated with Incyte once again, and has obtained exclusive license of povorcitinib, a selective oral small-molecule JAK1 inhibitor, in countries/territories including Mainland China, Hong Kong, Macau, Taiwan Region and eleven Southeast Asian countries. This further enriched the product portfolio of CMS Skinhealth in the treatment of vitiligo and other immune-mediated dermatology diseases. Concurrently, the Group has completed the Pivotal Real World Study for ruxolitinib cream in vitiligo, and is advancing the registration application process in Mainland China.

Relying on the accumulated academic platform of existing exclusive/original dermatology prescription products Hirudoid (the repair agent for skin barrier with multiple functions) and Aethoxysklerol (a German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application), CMS Skinhealth continuously improves the academic promotion plan for the newly approved and marketed innovative product ILUMETRI (Tildrakizumab Injection). In addition to the regular academic promotion, the academic promotion plan focuses on ILUMETRI's treatment philosophy of "long-term disease management and delaying recurrence" for psoriasis, highlighting its differentiated advantages such as low injection frequency and good long-term efficacy. CMS Skinhealth also actively facilitates the development of hospital access and prescription circulation into dual-channel pharmacies, efficiently connecting the hospital and retail markets, to increase the accessibility and convenience of patient medication.

2. Continuous Enrichment of the Regenerative Light Medical Aesthetic Product Matrix

CMS Skinhealth adheres to the operational philosophy of "originating from medicine, with a further exploration in aesthetics", continuously discovering cutting-edge medical aesthetics products with a mindset of pharmaceutical research, to persistently complement the regenerative light medical aesthetic portfolio and to strengthen its competitiveness in the medical aesthetics field.

During the Reporting Period, the China's medical device registration application of the Poly-L-lactic Acid Microparticle Filler Injection has been accepted by the NMPA; and the Group has newly obtained exclusive licenses of three products (Polycaprolactone Microsphere Gel for injection, Calcium Hydroxylapatite Microsphere Gel for injection, and Decellularized Extracellular Matrix Implant), which are currently under the registrational clinical trial stage in China, respectively, for their commercialization in Mainland China, Hong Kong, Macau, and Taiwan. All the aforementioned products are classified as Class III medical devices, and are developed for injection into subcutaneous layer or facial dermal tissue for the correction of nasolabial fold wrinkles. A brief overview of the products is as follows:

Product	Main Component	Potential Advantage of the Product
Poly-L-lactic Acid Microparticle Filler Injection	Poly-L-lactic Acid (PLLA) Microparticle	A regenerative medical aesthetic product adopting patented microparticle preparation process, which is expected to achieve plumping, firming, elasticity and natural skin rejuvenation
Polycaprolactone Microsphere Gel for injection	Polycaprolactone (PCL) microspheres and gel carrier	An injectable anti-aging product with expected multi-effects of instant filling, contour shaping, and collagen regeneration through unique gel
Calcium Hydroxylapatite Microsphere Gel for Injection	Calcium hydroxyphosphate (CaHA) microspheres and gel carrier	A regenerative medical aesthetic product adopting high-viscosity gel microsphere mixing technology, which is expected to achieve facial filling and shaping, creating a three-dimensional facial appearance
Decellularized Extracellular Matrix Implant	"Decellularized extracellular matrix particles", which is derived from porcine small intestinal submucosa, and mainly composed of structural proteins Type I and Type III collagen, and contains functional proteins, polysaccharides, cell growth factors and other components	A collagen product with bioactive components, which is expected to achieve instant physical filling of skin defects, induce natural collagen fiber regeneration, and achieve safe rejuvenation effects

After their approvals, the series of regenerative medical aesthetics products are expected to synergize with the existing marketed products of CMS Skinhealth, such as the Korean hyaluronic acid (HA) product Vmonalisa (a painless, fashionable and accessible luxury HA filler with mid-to-large and small particle sizes from South Korea, featured with safety and natural effect) and other light medical aesthetics products. For personalized facial concerns, CMS Skinhealth leverages the products' unique characteristics of different components to provide consumers with comprehensive and refined professional light medical aesthetics solutions.

3. Steady Advancement in the R&D of Ultrasound Medical Aesthetic Devices

For “Carnation”, the focused ultrasound technology R&D platform under CMS Skinhealth, its main pipeline product is FUBA5200 Focused Ultrasound Body Shaping System, which is a non-invasive body shaping device with independent intellectual property right, and has been granted multiple utility model and appearance patents in China. During the Reporting Period, the China’s medical device registration application for the FUBA5200 Focused Ultrasound Body Shaping System has been accepted by the NMPA.

IV. Ophthalmology Business

The Group's ophthalmology business, “CMS Vision”, has set a strategic goal to become a “leading ophthalmology pharmaceutical and device company in China”. Relying on the extensive academic network and resources in the field of ophthalmology, CMS Vision focuses on ophthalmic prescription drugs, medical devices, and consumables. With a global-scale view, CMS Vision explores innovative products with urgent clinic needs, aiming to achieve full coverage in the field of ophthalmic disease medication. During the Reporting Period, CMS Vision continued to focus on organizational management efficiency, leveraging the advantages of an ophthalmology-focused team with professional competence, to enhance the efficiency of identifying, incubating, and commercializing innovative products on the ophthalmology pharmaceutical and device platform, and to accelerate breakthroughs in clinical diagnosis and technology in the field of ophthalmology.

1. Major Marketed Products

As of the end of the Reporting Period, CMS Vision had two major marketed products: the exclusive medicine Augentropfen Stulln Mono Eye Drops (the representative for the treatment of asthenopia, and the safe and convenient treatment option for senile macular degeneration) and the innovative medical device EyeOP1 Glaucoma Treatment Device (using high-focused ultrasound technology, which is a safe and effective innovative treatment for glaucoma utilizing a non-invasive procedure with precise targeting and convenient operations).

During the Reporting Period, CMS Vision continued to advance and deepen the brand promotion of Augentropfen Stulln Mono Eye Drops, accumulating academic evidence to strengthen patients and experts recognition, and promoting relevant treatment guidelines/consensus recommendations. Meanwhile, leveraging its mature academic platform in ophthalmology, CMS Vision accelerated market access and physician continuing education for the EyeOP1 Glaucoma Treatment Device, and focused on the differentiated clinical advantages of the innovative Ultrasonic Cyclo Plasticity (UCP), such as non-invasiveness, high efficiency and safety, to enhance the brand image of EyeOP1.

As of 30 June, 2024, CMS Vision has covered approximately 10,000 hospitals and medical institutions in China.

2. Major Pipeline Products

CMS Vision's main pipeline product is the Class I Innovative Biological Product for the treatment of ocular fundus neovascular diseases — VEGFA/ANG2 Tetravalent Bispecific Antibody (with potential for stronger efficacy and lower dosing frequency compared to existing anti-VEGF drugs) , which is currently advancing through multi-center Phase I/II clinical trial in China to evaluate the safety, tolerability, pharmacokinetics, and efficacy of intravitreal injections of the VEGFA/ANG2 Tetravalent Bispecific Antibody in patients with neovascular age-related macular degeneration (nAMD). During the Reporting Period, the product has completed the enrollment of all subjects in Phase I clinical trial, and is steadily advancing towards Phase II clinical trial.

V. Southeast Asia Business

Under the background of a stagnant global economy, the consumption potential contained in the demographic dividend of emerging markets, such as Southeast Asia, is gradually being unleashed, driving the steady expansion of the economy. In the meantime, factors such as the aging population structure, increased per capita healthcare expenditure, and the lack of cost-effective pharmaceutical resources are jointly propelling the vigorous development of the Southeast Asian healthcare industry, making it an important growth engine for the global pharmaceutical market.

Leveraging on its rich experience in global investment and M&A, mature commercialization capabilities, and keen market insights, the Group has established an integrated platform of "R&D, manufacture, and commercialization" — the Southeast Asia business "Rxilient Health", aiming to build a "bridgehead" for Chinese and global pharmaceutical companies to enter Southeast Asian market, thus making accessible and affordable quality medical products to benefit patients in Southeast Asia in a wider and deeper way.

1. Improving the Platform-based Operation Structure

With the integration of the Group's advantageous resources and the operation of a professional and experienced local team, Rxilient Health has established a business network, with its headquarters in Singapore and operation covering the Philippines, Malaysia, Thailand, Indonesia, Vietnam, and other regions. Meanwhile, Rxilient Health continues to refine its systematic and platform-based operational framework for "product introduction, development, manufacturing, formulation CDMO (contract development and manufacturing organization), and marketing and promotion".

During the Reporting Period, the joint venture, PharmaGend Global Medical Services Pte. Ltd.

("PharmaGend"), jointly invested by the Group, Pharmaron, and others, has been orderly advancing a series of activities at the production plant located in Tuas, Singapore, including equipment testing, quality verification, and production quality system certification, etc., so as to accelerate the CDMO business development. This progress aims to facilitate the Group to initiate more industrial collaborations on a global scale and enhance the accessibility of quality drugs in emerging markets. Additionally, it is expected to optimize the Group's overseas supply chain and manufacturing capabilities, ensuring the security and stability of the international supply chain.

2. Expanding the Product Portfolio

During the Reporting Period, the Group newly deployed an innovative product, povorcitinib (a selective small molecule oral JAK1 inhibitor, expected to offer new treatment options for patients with autoimmune and inflammatory skin diseases) and has obtained exclusive license of this product in eleven Southeast Asian countries. As of the end of the Reporting Period, Rxilient Health has established a competitive product portfolio with more than ten differentiated products, covering therapeutic areas such as oncology, central nervous system, autoimmune, dermatology, and ophthalmology, etc.

During the Reporting Period, through its dedicated team, Rxilient Health has been steadily promoting the brand building and market education for the marketed products, such as the EyeOP1 Glaucoma Treatment Device, to enhance the product recognition by local doctors and patients. Meanwhile, Rxilient Health has accelerated the relevant work on the market registration processes in Southeast Asian countries for innovative pipeline products, such as ruxolitinib cream, Methylthioninium Chloride Enteric-coated Sustained-release Tablets, and Diazepam Nasal Spray, etc. Furthermore, Rxilient Health collaborated with Shanghai Junshi Biosciences Co., Ltd. ("Junshi Biosciences") through their joint venture, Excellmab Pte. Ltd., to promote the registration process of the strategic collaborative product, intravenous toripalimab (the first China-originated anti-PD-1 monoclonal antibody drug that has been approved by China NMPA and the US FDA) in multiple Southeast Asian countries, aiming to benefit local cancer patients as soon as possible.

Impact of Significant Industrial Policies

In the H1 of 2024, the healthcare industry continued to develop focusing on operation compliance, quality improvement, and efficiency enhancement. The normalization and institutionalization of National VBP further released space for the medical insurance expenditure of innovative products. Meanwhile, the implementation of the new version of NRDL effectively enhanced the accessibility and affordability of innovative outcomes. As of the end of the Reporting Period, all four innovative products of the Group approved for marketing in China in 2023 were included in the NRDL, which accelerates the scaled clinical application of these products. In addition, among the Group's major marketed products, three were affected by the implementation of National VBP, including Deanxit (included in the seventh batch of National VBP),

Plendil and Ursofalk (included in the eighth batch of National VBP). The seventh and eighth batches were implemented successively in November 2022 and July 2023 respectively, and Deanxit, Plendil and Ursofalk were not selected, which had a negative impact on the Group's financial performance.

During the Reporting Period, the Group successfully transformed its product portfolio into a healthier structure focusing on exclusive and innovative products. We will continue to accelerate the deployment and clinical development of innovative products, and launch more innovative products for marketing and sales, driving the Group to achieve sustainable and quality development.

Future Development

Since its establishment in 1992, CMS has followed the development pattern of the industry and has promoted three significant strategic transformations with a forward-looking vision: from an agent of imported original drugs, to the rights control of mature original/exclusive products, and to the comprehensive innovation transformation. Each step of the transformation is in sync with the industry development trends. After many years of exploration and practice, CMS has been transformed into a brand-new company. While embracing the innovation achievements in each phase, we are fully prepared to embrace a longer and healthier development in the future.

The Group will steadfastly implement its innovation strategy, focusing on the unmet clinical needs of patients to continuously deploy differentiated innovative products with scientific influence and commercial competitiveness, and to accumulate new development momentum and advantages. The Group will also continue to enhance the efficiency of the entire life cycle management of its innovative products and continue to generate differentiated innovative products for commercialization every year, so that quality medicines can benefit more patients and their families in China and Southeast Asia as soon as possible.

Meanwhile, the Group will continue to promote the vertical development and horizontal expansion of the commercialization platform in our advantageous specialty fields, enhancing the comprehensive strength in cardiovascular, central nervous system, gastroenterology, and related areas. For the independently operated businesses such as dermatology/medical aesthetics and ophthalmology, we are committed to cultivating these businesses to become "leaders in specialty therapeutic markets". Aligning with the business ecosystem and the attributes of innovative products, we will reinforce an academic and professional promotion model, using large-scale Real World Studies to strengthen clinical evidence, to rapidly establish brand influence.

Additionally, regarding Southeast Asia as the starting point of its international development, CMS shares and expands the successful experience gained from the China market, global quality products and innovative technological resources into the emerging markets, primarily in Southeast Asia. The Group also accelerates

the improvement of the innovative platform integrating "R&D, manufacture, and commercialization" of the Southeast Asia business, empowering Chinese and global pharmaceutical companies to implement the "overseas development" strategy, which also opens greater incremental development space for the Group.

The successive launches of the Group's innovation products are the best interpretation of our commitment to persisting in pharmaceutical innovation, as well as the powerful proof for our successful innovative transformation. With full confidence to start the new era of "New CMS, New Rise", we are committed to promoting quality and innovative development and laying the foundation for a future of sustainable, healthy and rapid growth, and contributing our "CMS Power" to uphold the healthcare cause of humankind with an unceasing stream of innovative outcomes.

Financial Review

Turnover

Turnover decreased by 21.7% to RMB3,611.1 million for the six months ended 30 June 2024 from RMB4,610.1 million for the six months ended 30 June 2023; in the case that all medicines were directly sold by the Group, turnover decreased by 22.6% to RMB4,287.5 million for the six months ended 30 June 2024 from RMB5,536.6 million for the six months ended 30 June 2023, mainly due to a decrease of RMB1,196.9 million (or 49.2%) in sales of three pharmaceutical products resulted from the impact of implementation of the National Volume Based Procurement ("National VBP").

Gross Profit and Gross Profit Margin

Gross profit decreased by 25.2% to RMB2,696.5 million for the six months ended 30 June 2024 from RMB3,605.9 million for the six months ended 30 June 2023; in the case that all medicines were directly sold by the Group, gross profit decreased by 24.7% to RMB2,686.9 million for the six months ended 30 June 2024 from RMB3,567.3 million for the six months ended 30 June 2023, primarily reflecting a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP. For the six months ended 30 June 2024, gross profit margin was 74.7%, representing a decrease of 3.5 percentage points from 78.2% for the six months ended 30 June 2023; in the case that all medicines were directly sold by the Group, gross profit margin decreased by 1.7 percentage points to 62.7% for the six months ended 30 June 2024 from 64.4% for the six months ended 30 June 2023, mainly due to a decrease in selling prices of three pharmaceutical products resulted from the impact of implementation of the National VBP.

Selling Expenses

Selling expenses increased by 4.5% to RMB1,400.5 million for the six months ended 30 June 2024 from

RMB1,339.6 million for the six months ended 30 June 2023. Selling expenses as a percentage of turnover was 38.8% for the six months ended 30 June 2024, representing an increase of 9.7 percentage points from 29.1% for the six months ended 30 June 2023. In the case that all medicines were directly sold by the Group, selling expenses as a percentage of turnover increased by 8.9 percentage points to 32.4% for the six months ended 30 June 2024 from 23.5% for the six months ended 30 June 2023, mainly due to an increase in resources injected to develop new businesses, and a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

Administrative Expenses

Administrative expenses increased by 13.7% to RMB361.5 million for the six months ended 30 June 2024 from RMB318.0 million for the six months ended 30 June 2023. Administrative expenses as a percentage of turnover for the six months ended 30 June 2024 was 10.0%, representing an increase of 3.1 percentage points from 6.9% for the six months ended 30 June 2023. In the case that all medicines were directly sold by the Group, administrative expenses as a percentage of turnover increased by 2.7 percentage points to 8.4% for the six months ended 30 June 2024 from 5.7% for the six months ended 30 June 2023, mainly due to an increase in administrative maintenance expenses required by the development of new businesses, and a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

Research and Development Expenditures

The Group's research and development expenditures included investments for the continuous expansion of innovative product pipelines, expenditures on evaluation, development, registration and clinical trial of new products, salaries and related expenses of staff who were engaged in the aforesaid affairs. Research and development expenditures included the expensed research and development expenditures (i.e. research and development expenses) and capital payments (including payments for acquisition of equity investments in research and development companies and payment for acquisition and development of product rights).

Total research and development expenditures increased by 160.4% to RMB622.2 million for the six months ended 30 June 2024 from RMB238.9 million for the six months ended 30 June 2023. Total research and development expenditures as a percentage of turnover for the six months ended 30 June 2024 was 17.2%, representing an increase of 12.0 percentage points from 5.2% for the six months ended 30 June 2023. In the case that all medicines were directly sold by the Group, total research and development expenditures as a percentage of turnover increased by 10.2 percentage points to 14.5% for the six months ended 30 June 2024 from 4.3% for the six months ended 30 June 2023, mainly due to increases in product right investments and research and development activities in relation to innovative product pipelines.

Research and development expenses increased by 39.4% to RMB105.6 million for the six months ended 30 June 2024 from RMB75.7 million for the six months ended 30 June 2023. Research and development expenses as a percentage of turnover for the six months ended 30 June 2024 was 2.9%, representing an increase of 1.3 percentage points from 1.6% for the six months ended 30 June 2023. In the case that all medicines were directly sold by the Group, research and development expenses as a percentage of turnover increased by 1.1 percentage points to 2.5% for the six months ended 30 June 2024 from 1.4% for the six months ended 30 June 2023.

Capital payments (set out in the table below) increased by 216.6% to RMB516.6 million for the six months ended 30 June 2024 from RMB163.2 million for the six months ended 30 June 2023. Such capital payments as a percentage of turnover for the six months ended 30 June 2024 was 14.3%, representing an increase of 10.8 percentage points from 3.5% for the six months ended 30 June 2023. In the case that all medicines were directly sold by the Group, such capital payments as a percentage of turnover increased by 9.1 percentage points to 12.0% for the six months ended 30 June 2024 from 2.9% for the six months ended 30 June 2023.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Payment for acquisition of equity investments in research and development companies	60,033	58,203
Payment for acquisition and development of product rights	456,605	104,971
	516,638	163,174

Other Income

Other income increased by 8.0% to RMB144.5 million for the six months ended 30 June 2024 from RMB133.7 million for the six months ended 30 June 2023, mainly due to increases in interest income and government subsidies.

Other Gains and Losses

Other gains and losses decreased by 125.4% to a loss of RMB24.7 million for the six months ended 30 June 2024 from a gain of RMB97.3 million for the six months ended 30 June 2023, mainly due to decreases in exchange gain and investment income, and an increase in impairment losses provided for assets.

Share of Result of Associates

Share of result of associates increased by 6.0% to RMB209.6 million for the six months ended 30 June 2024

from RMB197.8 million for the six months ended 30 June 2023, mainly reflecting an increase in profit of associates.

Finance Costs

Finance costs increased by 2.1% to RMB21.6 million for the six months ended 30 June 2024 from RMB21.2 million for the six months ended 30 June 2023, mainly due to an increase in interest rates of bank borrowings.

Income Tax Expense

Income tax expense decreased by 36.5% to RMB232.9 million for the six months ended 30 June 2024 from RMB366.6 million for the six months ended 30 June 2023, mainly due to a decrease in profit.

Profit for the Period

Profit for the period decreased by 52.8% to RMB903.4 million for the six months ended 30 June 2024 from RMB1,916.0 million for the six months ended 30 June 2023, mainly due to a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP, and an increase in expenses.

Inventories

Inventories increased by 0.1% to RMB638.5 million as at 30 June 2024 from RMB637.6 million as at 31 December 2023. Average inventory turnover days increased by 28 days to 128 days for the six months ended 30 June 2024 from 100 days for the six months ended 30 June 2023, mainly due to a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP, and a higher stock level.

Trade Receivables

Trade receivables decreased by 1.7% to RMB1,127.7 million as at 30 June 2024 from RMB1,146.7 million as at 31 December 2023. Average trade receivables turnover days increased by 8 days to 80 days for the six months ended 30 June 2024 from 72 days for the six months ended 30 June 2023, mainly due to a decrease in sales of three pharmaceutical products resulted from the impact of implementation of the National VBP.

Trade Payables

Trade payables increased by 28.8% to RMB182.5 million as at 30 June 2024 from RMB141.7 million as at 31 December 2023. Average trade payables days decreased by 7 days to 32 days for the six months ended 30 June 2024 from 39 days for the six months ended 30 June 2023, primarily reflecting the difference in time points of settlement with suppliers.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2024, the Group's bank balances and cash amounted to RMB3,914.4 million while readily realizable bank acceptance bills amounted to RMB158.5 million. As at 31 December 2023, our bank balances and cash amounted to RMB4,311.1 million while readily realizable bank acceptance bills amounted to RMB181.0 million.

The Group had bank borrowings of RMB1,106.5 million (31 December 2023: RMB1,269.7 million) as at 30 June 2024. The weighted average interest rate of loans was 3.3% (six months ended 30 June 2023: 2.8%) per annum. All the loans were due within one year and then classified as current liabilities.

As at 30 June 2024 and 31 December 2023, the Group had a gearing ratio (being the bank borrowings of the Group divided by the total assets of the Group) of approximately 6.1% and 7.2%, respectively.

The Group's liquidity requirements will be satisfied by a combination of cash flow generated from operating activities, long-term bank loans and other financing means which the Company may from time to time consider appropriate.

Exposure to Fluctuations in Exchange Rates and Interest Rates

The Group is mainly exposed to currency risk of the US$, EUR and HK$. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors exchange rate fluctuations and reviews the foreign currency risk management strategy from time to time, and where appropriate, the management will consider hedging its foreign currency exposure. As at 30 June 2024, the Group has entered into certain foreign exchange forward contracts to hedge its foreign currency risk.

The Group will closely monitor movements of interest rates and foreign currencies market so as to mitigate the expected risk on interest rates and foreign currencies.

Pledge of Assets

As at 30 June 2024, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

There has been no significant acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the six months ended 30 June 2024.

Interim Dividend

The Board has resolved to pay an interim dividend of RMB0.1507 (equivalent to HKD0.164) per ordinary share of the Company for the six months ended 30 June 2024 to the shareholders whose names appear on the register of members of the Company after market closes on Monday, 2 September 2024 (the "Record Date"). Payment of such interim dividend is expected to be made to the shareholders on about Monday, 9 September 2024.

Closure of Register of Members

The register of members of the Company will be closed on Monday, 2 September 2024, on which the registration of transfer of shares of the Company ("Shares") will be suspended. To qualify for the interim dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 30 August 2024.

Purchase, Sale or Redemption of the Company's Listed Securities

As at 30 June 2024, the Company repurchased an aggregate of 12,460,000 ordinary shares with a nominal value of US$0.005 each on the Stock Exchange of Hong Kong Limited (the "SEHK") at an aggregate consideration of HK$91,613,640. All of the purchased shares were cancelled on 31 May 2024. The Board believes that given the current financial resources of the Company, the share repurchase would not affect the Company's solid financial position in any material respect, and it would lead to an enhancement of the net asset value per share and/or earnings per share, which is in the interest of the shareholders as a whole.

Details of the repurchase are as follows:

Date of Repurchase	Number of Shares Repurchased	Price per Share (HK$)		Aggregate Consideration Paid (HK$)
		Highest Price	Lowest Price	
2 April 2024	2,100,000	7.67	7.26	15,642,180
3 April 2024	1,470,000	7.59	7.41	11,018,370
8 April 2024	1,550,000	7.63	7.53	11,755,420
9 April 2024	1,000,000	7.70	7.59	7,636,600
10 April 2024	1,030,000	7.56	7.36	7,670,420
11 April 2024	1,100,000	7.34	7.16	7,992,990
12 April 2024	1,050,000	7.35	7.21	7,642,680
15 April 2024	1,050,000	7.16	7.04	7,444,020
17 April 2024	1,060,000	7.04	6.95	7,423,760
24 April 2024	1,050,000	7.05	7.01	7,387,200
Total	12,460,000	-	-	91,613,640

Save as disclosed above, none of the Company or any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

Audit Committee

The Company established an Audit Committee in 2007. The Audit Committee currently comprises three independent non-executive Directors, and is chaired by Mr. Fung Ching Simon, with Mr. Leung Chong Shun and Ms. Luo Laura Ying as Committee members.

The primary duties of the Audit Committee are to provide the Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Company, to oversee the audit process and to perform other duties and responsibilities as assigned by the Directors. The Audit Committee also oversees the Company's appointment of external auditors.

The Company's interim result announcement and interim report for the six months ended 30 June 2024 have been reviewed by the Audit Committee of the Company and approved by the Board with recommendation of the Audit Committee.

Corporate Governance Practices

During the Reporting Period, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules, except for a deviation from the Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual.

Mr. Lam Kong has been both the Chairman and Chief Executive of the Company and his responsibilities are clearly established and set out in writing and approved by the Board. Given the Group's current stage of development, the Board considers that vesting the roles of Chairman and Chief Executive in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the Group's management structure from time to time and shall consider any appropriate adjustments should new circumstances arise.

The Company makes available to the Directors monthly updates of the Company, in order to keep the Directors informed of the Company's latest performance and operations. In addition, the Directors also receive regular updates from time to time on changes and developments of the relevant legislation and regulatory environments.

All Directors participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their advice to the Board remains effective and relevant. The Company keeps records of the training received by Directors.

Directors' Securities Transactions

The Company has adopted the Written Guidelines for Securities Transactions by Directors and Relevant Employees (the "Written Guidelines") on no less exacting terms than 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 the code of conduct for Directors' securities transactions. Having made specific inquiries in relation to the compliance with the Written Guidelines for securities transactions by Directors, the Company confirmed that all the Directors have complied with the relevant standards for securities transactions by Directors set out in the Written Guidelines during the Reporting Period. The Written Guidelines also apply to other specified senior management of the Company.

Employees who are likely to be in possession of unpublished price-sensitive information about the Company are also subject to compliance with the Written Guidelines. No incident of non-compliance with the Written Guidelines by such employees was noted by the Company in the Reporting Period.

Re-designation of Director

The Board of the Company announces that Mr. Chen Hongbing ("Mr. Chen") has resigned from the positions of Chief Operating Officer and Vice President of the Company and has been re-designated from an executive Director to a non-executive Director with effect from 15 August 2024 in order to devote more time to his personal commitments. At the same time, Mr. Chen has been appointed as a senior consultant by the Company.

Mr. Chen's responsibilities will be assumed by Mr. Fan Jie ("Mr. Fan") who serves as Deputy General Manager of the Company and General Manager of the Channel and Off-hospital Business, and Mr. Cai Ping ("Mr. Cai") who serves as Deputy General Manager of the Company and General Manager of the Strategic Market and the current executive team of the Company.

Following the re-designation of Mr. Chen, the Company is in the process of identifying a suitable candidate to fill the vacancy of the executive director. Should a suitable candidate be identified, the Company will make a further announcement in accordance with the relevant requirements of the Rules Governing the SEHK.

The biographical details of Mr. Chen are as follows:
Mr. Chen, aged 57, was the Chief Operating Officer and Vice-president of the Company and was appointed as an executive Director on 18 December 2006. Mr. Chen has resigned from the positions of Chief Operating Officer and Vice President of the Company and has been appointed as a senior consultant. He has been re-designated from the role of an executive Director to a non-executive Director with effect from 15 August 2024. He is also a director of certain subsidiaries of the Company. He joined the Company in 1995 and has remained with the Company since then. Mr. Chen is responsible for the business operation of the Company, including marketing, promotion, supply chain management, product manufacturing management and human resources management, etc. Mr. Chen possesses extensive experience in business operations of pharmaceutical companies and corporate management. Mr. Chen had acquired about four years' experience as a public hospital doctor with Nanjing Gulou Hospital from 1990 to 1994. He received his bachelor's degree in clinical medicine from Nanjing Medical College in 1990, which was subsequently renamed as Nanjing Medical University.

The Company has signed a new service agreement with Mr. Chen for his role as a non-executive Director with a term of one year from 15 August 2024. Mr. Chen is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Mr. Chen is entitled to receive director's emoluments of HK$360,000 per year, which was determined by the Board with reference to his qualifications, duties and responsibilities with the Company and the prevailing market conditions.

As at the date of this announcement, Mr. Chen (i) holds 20,038,225 Shares, representing approximately 0.82% of the entire issued share capital of the Company, in his own name; and (ii) holds 50,225,000 Shares, representing approximately 2.06% of the entire issued share capital of the Company, through Viewell Limited, a company incorporated in the British Virgin Islands and wholly owned by Mr. Chen. Save as disclosed above, Mr. Chen does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, as at the date of this announcement, Mr. Chen (i) does not hold any directorships in other companies of which the securities are listed on any securities market in Hong Kong or overseas in the last three years; (ii) does not hold any other position(s) in the Company or any of its subsidiaries; (iii) does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company; and (iv) does not possess any other major professional qualifications.

The biographical details of Mr. Fan are as follows:
Mr. Fan, aged 53, has over 25 years of management experience in pharmaceutical companies, including drug market promotion, channel management, supply chain management, bidding standards entry, and digital marketing. Prior to joining the Company, Mr. Fan worked at Xi'an Janssen Pharmaceutical Co., Ltd. ("Xi'an Janssen") from January 1997 to February 2022, serving as a medical representative, regional manager, area manager, national sales director, senior director of business excellence centre, head of channels and business department and general manager of Actelion Pharmaceutical Co., Ltd. He also served as the head of commercial and off-hospital markets at Xi'an Janssen and was a member of the decision-making committee of Xi'an Janssen. From March 2022 to July 2024, Mr. Fan served as an executive director and Co-Chief Executive Officer at MedSci Healthcare Holdings Limited (stock code: 02415), a company listed on the SEHK. Mr. Fan obtained a bachelor's degree in business administration and an EMBA degree from South China University of Technology in January 2012 and June 2014, respectively. He graduated from Qinghai

Minzu University with a major in Politics and History in 1992.

The biographical details of Mr. Cai are as follows:
Mr. Cai, aged 52, has 20 years of sales and market management experience in the pharmaceutical field, as well as 7 years of experience in commercialization management of tumour, infection IVD, and LDT. Mr. Cai has rich experience in building commercial teams and consistently achieving performance targets. He is skilled in team management and breakthroughs in new business ventures, with expertise in systematic business planning and implementation. Prior to joining the Company, Mr. Cai worked as a resident physician at Qingdao the People's Liberation Army 141 Hospital from August 1994 to May 1996. Subsequently, he held various positions at Xi'an Janssen including sales representative, regional manager, area manager, national sales manager, and sales director (South China) of the Central Nervous System Division from June 1996 to April 2007. From May 2007 to November 2008, Mr. Cai served as the national sales director at Baxter Qiaoguang Pharmaceutical Co., Ltd. From December 2008 to May 2016, he successively held positions as sales director (South China) of the Central Nervous System Division, marketing director of the Central Nervous System Division and director of Strategic Marketing Department at Xi'an Janssen. From May 2016 to August 2023, Mr. Cai was Senior Vice President at 3DMed Technology (Shanghai) Co., Ltd. Afterwards, from September 2023 to July 2024, he served as Chief Commercial Officer at Tailai Biosciences Co., Ltd., responsible for the commercialization work of cancer early screening and lung nodule diagnosis pipeline. Mr. Cai obtained a bachelor’s degree in clinical medicine from the First Military Medical University of the People's Liberation Army (later renamed Southern Medical University) in 1994.

Mr. Chen has confirmed that he has no disagreement with the Board, and that there are no other matters relating to his re-designation that needs to be brought to the attention of the shareholders of the Company or The Stock Exchange. Save as disclosed above, there is no other information that needs to be disclosed pursuant to the Rule 13.51(2) of the Rules Governing the Listing of Securities on the Stock Exchange.

The Board would like to take this opportunity to thank Mr. Chen for his invaluable contribution to the Company during the tenure of his service as an executive Director and look forward to Mr. Chen’s continuous contribution to the Company.

Disclosure of Information

The Interim Report for the Reporting Period will be duly dispatched to shareholders of the Company and published on websites of the SEHK (www.hkexnews.hk) and the Company (www.cms.net.cn).

By order of the Board
China Medical System Holdings Limited
Lam Kong
Chairman

Hong Kong, 15 August 2024

As at the date of the announcement, the directors of the Company comprise (i) Mr. Lam Kong and Ms. Chen Yanling as executive directors; (ii) Mr. Chen Hongbing as non-executive director; and (iii) Mr. Leung Chong Shun, Ms. Luo Laura Ying and Mr. Fung Ching Simon as independent non-executive directors.