四环医药
SihuanPharm

Sihuan Pharmaceutical Holdings Group Ltd.

四環醫藥控股集團有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 0460)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Sihuan Pharmaceutical Holdings Group Ltd. ("**Sihuan Pharmaceutical**" or the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2024 (the "**Period**") together with the comparative figures for the six months ended 30 June 2023. The interim condensed consolidated financial information has been reviewed by the external auditor of the Company, Ernst & Young, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "**Audit Committee**").

FINANCIAL SUMMARY OF THE GROUP

- Total revenue of the Group for the Period was approximately RMB949.7 million (for the six months ended 30 June 2023: RMB1,055.7 million), representing a year-on-year decrease of approximately 10.0% (approximately RMB106.0 million).

- Among the changes in revenue, revenue from the medical aesthetics products was approximately RMB322.8 million (for the six months ended 30 June 2023: RMB194.0 million), representing a year-on-year increase of approximately 66.4% (approximately RMB128.8 million), primarily due to the Group's medical aesthetics platform Meiyan Space's expansion of its strategic cooperation with several medical aesthetics institutions during the Period, as well as the successful gradual implementation of the 3.0 version upgrade of its marketing strategy. Its products gained high recognition in the market, which drove a significant growth in sales revenue from its medical aesthetics business.

- Revenue from the generic medicine business was approximately RMB597.3 million (for the six months ended 30 June 2023: RMB845.7 million), representing a year-on-year decrease of approximately 29.4% (approximately RMB248.4 million), mainly due to the impact of centralized procurement and the inclusion of certain products in the key monitoring catalogue by the relevant governing authorities in 2023, which led to a larger decline in the overall average price and sales volume of the generic medicine business during the Period.

- In addition, revenue from the innovative medicine and other medicine was approximately RMB29.6 million (for the six months ended 30 June 2023: RMB16.0 million), representing a year-on-year increase of approximately 85.0% (approximately RMB13.6 million), mainly due to the launching and commercialization of the first-class new drug Anaprazole Sodium, which was self-developed by Xuanzhu Biopharmaceutical Co., Ltd. ("**Xuanzhu Biopharm**"), and in the second half of 2023, started generating revenue. The above changing trends in sales revenue are in line with the current industry policy of "innovation-driven and transformation" in the PRC.

- During the Period, the Group's cost of sales was approximately RMB341.2 million (for the six months ended 30 June 2023: RMB308.0 million), representing a year-on-year increase of 10.8% (approximately RMB33.2 million). One of the main reasons was the significant growth in sales volume of the Group's medical aesthetics business, which led to a corresponding increase in the cost of sales.

- During the Period, gross profit was approximately RMB608.5 million (for the six months ended 30 June 2023: RMB747.7 million), representing a year-on-year decrease of approximately 18.6% (approximately RMB139.2 million), mainly due to the overall decrease in the Group's sales revenue and the increase in cost of sales (as analyzed above).

- During the Period, research and development ("**R&D**") expenses were approximately RMB195.6 million (for the six months ended 30 June 2023: RMB294.0 million), representing a year-on-year decrease of 33.5% (approximately RMB98.4 million), mainly due to the successive completion of phase III clinical trials for several products (including innovative drugs, biopharmaceutical drugs and generic drugs) in the Group's R&D pipeline, some of which NDA applications were submitted or have already been approved for commercialization in 2023. Additionally, several self-developed products from Huisheng Biopharmaceutical Co., Ltd. ("**Huisheng Biopharm**"), a biologics subsidiary of the Group, have completed clinical trials and submitted the NDA/ANDA.

- During the Period, the Group's operating profit was approximately RMB109.1 million (for the six months ended 30 June 2023: RMB146.2 million), representing a year-on-year decrease of 25.4% (approximately RMB37.1 million). The lower operating profit was mainly due to the decline in revenue of generic medicine as compared with that for the last period.

- Loss for the Period of the Group amounted to approximately RMB68.0 million (for the six months ended 30 June 2023: loss of RMB118.9 million), representing a significant year-on-year decrease of 42.8% (approximately RMB50.9 million).

- During the Period, the loss attributable to owners of the Company amounted to approximately RMB33.4 million (for the six months ended 30 June 2023: loss of RMB49.6 million), representing a significant year-on-year decrease of 32.7% (approximately RMB16.2 million).

- During the Period, the basic loss per share was RMB0.36 cents.

- The Board has resolved to declare an interim cash dividend of RMB1.9 cents per share (equivalent to HK2.1 cents per share) for the Period in appreciation of shareholders' and investors' support.

- During the Period, net cash flows from operating activities amounted to approximately RMB36.5 million. As at 30 June 2024, the total of the Group's cash and cash equivalents, wealth management products, pledged deposits and time deposits amounted to approximately RMB4,971.3 million in aggregate.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China's pharmaceutical industry is experiencing significant transformations. Despite being in a phase of recovery in the first half of 2024, the pharmaceutical industry is encountering challenges such as investment pullbacks and growth limitations that should not be underestimated. Meanwhile, the positive policy development, innovation and upgrading, consumer recovery and more are serving as new drivers for industry growth, hastening its shift towards high-quality development. New demands are fostering the creation of new technologies, while the iterative upgrading of new technologies accelerates the improvement of industry efficiency and effectiveness. Consequently, the new productivities gives rise to a variety of new industries.

In 2024, China's biopharmaceutical industry is embarking on a new phase of high-quality development. The domestic innovative pharmaceuticals industry has achieved a leap from "encouraging large-scale innovation" to "encouraging high-quality innovation". Under the influence of innovation-oriented policies, some high-quality companies specializing in innovative drugs and generic-innovative drug combinations have gradually begun to enter a phase of fruition. The year 2024 is positioned for notable catalytic strides, with innovative drug companies possessing differentiated advantages, exceptional clinical value, strong commercialization compliance, or robust platform capability which are expected to become the main driving force for industry growth. Meanwhile, the "going out" and "bringing in" of enterprises will further stimulate the vitality of the pharmaceutical economy.

The Chinese government has consistently issued policies and supportive measures for the pharmaceutical industry to foster its healthy growth. The intensity and robustness of these policies have surpassed those of previous years, compelling the pharmaceutical industry to transform and upgrade through the integration of pharmaceutical, health insurance and medical service policies. This shift aims to drive development towards innovation-driven and high-quality growth. The healthcare reform has accelerated, pushing the healthcare insurance system towards greater maturity.

As the reform in drug innovation supply progresses, the payment sector is enhancing its support for innovative drugs. The approval timelines of National Reimbursement Drug List for innovative drugs are becoming shorter, and the negotiation protocols are constantly being refined. On 13 December 2023, a new edition of the National Reimbursement Drug List was announced, with 25 innovative drugs participated in negotiations, 23 of which were successfully negotiated, resulting in a success rate of 92%. The adjustment shows 57 varieties were approved and added to the drug list within the same year. Currently, 80% of new drugs can be included in the drug list within two years after their launch.

Guided by the national "innovation-driven" strategy and impacted by the population and aging, there are substantial underlying demands in China's pharmaceutical market. Over the past three years, the pharmaceutical market has experienced increased fragmentation across sales channels and a diversification of business models, offering more opportunities and greater challenges to the sales and expansion of China's pharmaceutical companies. Empowered by the nation's "change cage for birds" strategy, the growth speed of the pharmaceutical market in the future will be dominated by innovative drugs. The pharmaceutical industry has entered into a new phase marked by significant breakthroughs. A series of trends, such as consolidation, increased concentration, and innovation through the process of survival of the strong and elimination of the weak, have also begun to accelerate, ushering in a new chapter of growth for the industry at the same time.

2024 marks a transition where consumption shifts from a gradual rebound to sustainable growth. It is also a critical year for the medical aesthetic industry as it strives to enhance its quality standards. According to the "China Medical Aesthetic Industry Outlook Report 2024", with the gradual resumption of service-oriented consumption, driven by the rising penetration rate of medical aesthetics and growing demands for diverse and high-quality medical aesthetics services, it is expected that the growth rate of 10% to 15% in China's medical aesthetics market over the coming years. Given the rationality behind the demand for medical aesthetics, aesthetics seekers are not only pursuing cost-effective services but also prioritizing the quality, safety and personalized quality of medical aesthetic services and treatment experiences. Under such demands, leading enterprises equipped with a diverse range of top-notch products and the ability to provide high-quality and exceptional services will continue to benefit.

BUSINESS UPDATE IN THE FIRST HALF OF 2024

Having steadfastly pursued the dual-drive strategy of "medical aesthetics + innovative pharmaceuticals", the Group has gradually and successfully transformed and upgraded from a generic pharmaceutical company to a leading medical aesthetics and biopharmaceutical company. During the Period, continuing the high growth of the medical aesthetics business last year, the Group's medical aesthetics business made positive progress in the first half of 2024, realising sales revenue of RMB322.8 million, representing a year-on-year increase of 66.4%. 5 products from the innovative drugs and biopharmaceuticals business were successfully approved and started commercialization gradually in the Period. The generic pharmaceuticals business, being the Group's "cash cow" business, had received New Drug Application ("**NDA**") approval for a total of 7 products during the Period. In the future, this will continue to support the Group's innovative transformation and advancement towards a "medical aesthetics + innovative pharmaceuticals" model.

1. **New business medical aesthetics platform Meiyan Space: By swiftly advancing product R&D and registration progress, implementing the marketing strategy of version 3.0, strengthening strategic cooperation with the top medical aesthetics institutions, the Group achieves growth in medical aesthetics sales revenue. Several strategic initiatives have achieved stage-by-stage success.**

   During the Period, the Group intensified its efforts to drive the implementation of version 3.0 of its medical aesthetics marketing strategy, expanded its product and sales network within the medical aesthetics sector, and swiftly advanced the R&D, registration and introduction of new medical aesthetics products. Currently, the medical aesthetics platform Meiyan Space has approved the launch of more than 20 products, out of which 5 have been released into the market and over 40 are either awaiting production approval or undergoing development. Sylfirm X, the dual-wave radiofrequency microneedle, for which Meiyan Space has an exclusive agency and is produced by VIOL.Co., Ltd. in South Korea ("**VIOL Korea**"), obtained a Class III medical device registration certificate from the China National Medical Products Administration ("**NMPA**") on 19 March 2024. Sylfirm X is the world's first dual-wave radiofrequency microneedle approved by the U.S. Food and Drug Administration (FDA) and NMPA.

   Meiyan Space has a nationwide professional medical aesthetics sales network, utilizing products, operation, medical communication and other multi-dimensional activities to enhance precise engagement across different levels of doctors, operators, consultants, marketing personnel and managers. It covers more than 360 cities and 5,900 medical aesthetic institutions. During the Period, Meiyan Space strengthened its cooperation with leading hospitals and key regional institutions. It has signed annual partnership agreements with 65 medical aesthetic chain groups and 67 core regional monolithic institutions, covering 900 core medical aesthetic institutions nationwide, fostering closer cooperation with medical aesthetic institutions.

2. New business innovative drug platform Xuanzhu Biopharm: a unicorn enterprise with commercialized products, the direct sales + distribution model achieved rapid coverage, and the sales network begun to take shape.

During the Period, Xuanzhu Biopharm, an innovative drug R&D platform incubated by the Group that integrates preclinical research, clinical development, registration, production and sales, has been developed into a unicorn enterprise with commercialized products.

Xuanzhu Biopharm's independently developed Class 1 innovative drug, proton pump inhibitor Anaprazole Sodium Enteric-coated Tablets (trade name: Anjiuwei), was approved for marketing by the NMPA in June 2023, and was successfully included in the NRDL in the same year. From the approval of the product to June 2024, Xuanzhu Biopharm quickly built a sales network and commercialized Anjiuwei in just one year. Through the direct sales + distribution model, it quickly covered more than 600 hospitals across the country and achieved 100% coverage of provinces, and the sales network has begun to take shape.

In addition, Xuanzhu Biopharm is simultaneously advancing the R&D of other drugs. During the Period, the NDA of "Dexitinib Tablets" (code: XZP-3621), a Class 1 innovative drug independently developed by Xuanzhu Biopharm, was accepted by the Center for Drug Evaluation ("**CDE**"), NMPA. It is indicated for the treatment of adult patients with anaplastic lymphoma kinase (ALK)-positive locally advanced or metastatic non-small cell lung cancer (NSCLC). If the NDA of this product is approved, it will become the third innovative drug independently developed by Xuanzhu Biopharm that has been approved for marketing.

3. New business biologics drugs platform Huisheng Biopharm: Rapid developments have been made in product R&D and registration processes, with a steady advancement towards commercialization. The Insulin Aspart series products were successfully selected for special procurement.

Huisheng Biopharm, carefully incubated by the Group to become a leading biopharmaceutical company with full product coverage in the therapeutic areas of diabetes and its complications, made positive progress on product R&D and NDA, thus promoting the rapid development and expansion of the Group's biopharmaceutical business. As of 30 June 2024, Huisheng Biopharm had obtained the drug registration approvals for 11 drugs, including the SGLT-2 inhibitor Class 1 innovative drug Proline Ganagliflozin tablets (trade name: Huiyoujing) independently developed by Huisheng Biopharm and had newly obtained NDA approval during the Period. This product is the second SGLT-2 inhibitor Class 1 innovative drug which obtained NDA approval in China. Furthermore, Insulin Degludec and Insulin Aspart Injection, as well as Insulin Degludec Injection, both of which are developed by Huisheng Biopharm, were successfully approved by NMPA in July and August 2024 respectively. Both of the products are the first domestic biosimilar after the original drug. At the same time, Huisheng Biopharm has submitted the NDA/ANDA for 4 drugs.

During the Period, Huisheng Biopharm has also made positive progress in the development of Semaglutide Injection. The Investigational New Drug ("**IND**") application for overweight or obesity was accepted by the NMPA in June 2024 and was approved in August, and the phase III clinical trial for glucose-lowering indications was completed for enrollment during the Period. This product is currently experiencing rapid growth in both domestic and international markets.

During the Period, as more new products obtained NDA/ANDA approvals, Huisheng Biopharm expedited its product commercialization processes. The three products of Insulin Aspart Injection, Insulin Aspart 30 Injection and Insulin Aspart 50 Injection, were all selected in the "National Centralized Procurement of Pharmaceuticals (specialising renewal in insulin)" at Class A prices during the Period, and Mecobalamin Tablets and Vildagliptin Tablets were selected for the provincial alliance's centralized procurement.

Furthermore, to advance the commercialization of the recently approved products, Huisheng Biopharm has rapidly expanded to 31 provinces and cities in China, excluding Hong Kong, Macau and Taiwan. In the first half of 2024, Huisheng Biopharm's sales network has extended to over 2,200 hospitals.

4. Generic pharmaceutical business: The strong "cash cow" business remains a consistent income generator for the Group, facilitating rapid restructuring and enhancement while consolidating its financial position.

The Group's generic pharmaceutical business has always been an important "cash cow" business for the Group, with a rich product pipeline of nearly 100 generic drugs products on sale, which continues to provide positive cash flow to the Company. In addition, the Group has nearly 50 generic products under development and continues to promote the registration and listing of such quality products. During the Period, the Group's generic pharmaceutical business has made various progresses, with 7 generic drugs, including Rivaroxaban Tablets (2.5mg), Ticagrelor Orodispersible Tablet, Terbutaline Sulfate Injection and Aprepitant Capsules obtaining NDA/ANDA approvals from the NMPA. Moreover, 6 APIs passed the technical evaluation carried out by the CDE of the PRC, while the result of their joint evaluation with preparations was "A".

INTERIM RESULTS UPDATE

During the Period, the Group recorded a total revenue of approximately RMB949.7 million, representing a year-on-year decrease of 10.0% as compared with a total revenue of RMB1,055.7 million for the same period in 2023.

Of the total revenue, the medical aesthetics segment achieved a revenue of approximately RMB322.8 million, representing a year-on-year increase of approximately 66.4%, primarily due to the Group's medical aesthetics platform, Meiyan Space's expansion of its strategic cooperation with several medical aesthetics institutions during the Period, as well as the successful gradual implementation of the 3.0 version upgrade of its marketing strategy. Its products gained high recognition in the market, which drove a significant growth in sales revenue from its medical aesthetics business.

The generic medicine segment achieved a revenue of approximately RMB597.3 million, representing a year-on-year decrease of approximately 29.4%, mainly due to the impact of centralized procurement and the inclusion of certain products in the key monitoring catalogue in 2023, which led to a larger decline in the overall average price and sales volume of the generic medicine business during the Period.

Innovative medicine and other medicine achieved a revenue of approximately RMB29.6 million, representing a year-on-year increase of 85.0%, mainly due to the launching and commercialization of the Class 1 new drug Anaprazole Sodium, which was self-developed by Xuanzhu Biopharm, and in the second half of 2023, started generating revenue. The above changing trends in sales revenue are in line with the current industry policy of "innovation-driven and transformation" in the PRC.

During the Period, the R&D expenses amounted to approximately RMB195.6 million, representing a year-on-year decrease of 33.5%, mainly due to the successive completion of phase III clinical trials for several products (including innovative drugs, biopharmaceutical drugs and generic drugs) in the Group's R&D pipeline, some of which NDA applications were submitted or already been approved for commercialization in 2023. Additionally, several self-developed products from Huisheng Biopharm, a biologics subsidiary of the Group, have completed clinical trials and submitted the NDA/ANDA.

Given the above, the Group recorded a loss for the Period of approximately RMB68.0 million, representing a year-on-year decrease of 42.8%.

During the Period, the loss attributable to owners of the Company amounted to approximately RMB33.4 million, representing a year-on-year decrease of 32.7% in loss.

The Group continued to maintain a stable financial position. As at 30 June 2024, the Group's cash and cash equivalents plus wealth management products, pledged deposits and time deposits amounted to approximately RMB4,971.3 million in total. The total amount of cash and cash equivalents plus wealth management products, pledged deposits and time deposits, net of interest-bearing bank borrowings, was approximately RMB3,884.6 million. The Group's borrowings to equity ratio (i.e. a percentage of bank borrowings divided by equity attributable to owners of the Company) was 24.6%.

BUSINESS REVIEW OF EACH SEGMENT DURING THE PERIOD

1. New business: Promoting transformation, upgrade and development of China's leading medical aesthetic and biopharmaceutical companies at full speed

During the Period, the Group continued to implement and expedite the promotion of the two-wheel drive strategy of "medical aesthetics + innovative pharmaceuticals" and focus its management efforts on new business development.

For medical aesthetic business, the Group increased its efforts to promote the implementation of the 3.0 version of medical aesthetic marketing and sales strategy and constantly expanding the layout of the product and sales network of the medical aesthetic field, and rapidly advancing the R&D, registration and listing of new medical aesthetic products. Currently, a total of over 60 products are available on the medical aesthetic platform Meiyan Space, of which more than 20 products have been approved for marketing. 5 of those approved products were launched on the market for sale, and over 40 products are either in the stage of application for registration or R&D. Meiyan Space also has a nationwide professional medical aesthetic sales network that covers more than 360 cities and 5,900 medical aesthetic institutions. Meiyan Space is currently working towards the strategic goal of "becoming China's leading medical aesthetic company that achieves full product coverage of the whole life cycle needs for beauty lovers in the country".

For innovative drugs and biopharmaceutical business, the Group expedited the promotion and realization of the commercial development of newly approved innovative drugs and biomedicines for marketing. The innovative drug platform Xuanzhu Biopharm has 2 products approved for marketing. 1 of them was launched on the market for sale. Xuanzhu Biopharm has become a Biotech unicorn company with commercialized products. Also, as of 15 August 2024, the biologics platform Huisheng Biopharm has 13 products approved for marketing, and 5 of those products were launched on the market for sale. Huisheng Biopharm has become one of the few biopharmaceutical leaders in China to achieve full product coverage in the fields of diabetes and complications.

1.1 Meiyan Space:A leading medical aesthetic enterprise with a rich product pipeline, built with the rigor and innovation of a pharmaceutical company

In the first half of 2024, Meiyan Space, the medical aesthetic platform of the Group, continued to carry out the marketing and sales strategy that has been changed since the end of 2023 and enhanced the business upgrade and development of the 3.0 version of marketing and sales, comprehensively strengthened its cooperation with leading hospital groups and regional leading institutions, increased its number of agents in unexplored regions, and achieved full coverage of the 34 provincial-level administrative regions in China, thereby achieving stable growth in sales revenue. Meanwhile, Meiyan Space empowered institutional customers with a variety of marketing activities, and provided high-quality and efficient services and solutions to help institutions improve their comprehensive service capabilities and promote the sales volume of products. On the academic side, during the Period, Meiyan Space further demonstrated the value of product differentiation and created the benchmark for the medical aesthetic industry through 8 academic conference sponsorships and collaborations, over 350 national academic/practical training seminars as well as professional medical and academic promotional methods such as academic and medical strategy expansion. During the Period, the medical aesthetics business segment of the Group generated revenue of RMB322.8 million, representing a year-on-year increase of 66.4%.

Meiyan Space is a medical aesthetics platform and company carefully incubated by the Group. Focusing on the fast-growing but low-penetration Chinese medical aesthetics market that is set to experience explosive growth, Meiyan Space has successfully established a "one-stop" new medical aesthetics platform in China, and is dedicated to building a leading Chinese medical aesthetics company with full product coverage by leveraging the rigor and innovation characteristics of a pharmaceutical company through globalized layout and localized production, comprehensive and professional medical aesthetics product coverage, strong product R&D and registration capabilities as well as diversified marketing channel ability.

On the product side, Meiyan Space built a complete product matrix that covers the whole life cycle needs of beauty lovers with the "self-development + BD" dual engine drivers. The pipeline includes over 60 products. Its self-developed product pipeline consists of more than 20 Class 3 products, such as PLLA filler and PCL filler and more than 10 Class 2 products, among which 5 self-developed Class 3 products have entered the stage of application for registration. At the same time, Meiyan Space introduced multiple high-quality medical aesthetic products through various methods such as exclusive distributions, mergers and acquisitions, as well as joint venture collaborations. These products include the botulinum toxin Letybo® (100U and 50U), the hyaluronic acid Persnica™ and dual-wave radiofrequency microneedle Sylfirm X, which are available for sale. Several other high-quality products are under development or in the process of application for registration,

such as the skin booster Cellbooster, animal collagen and PHA microspheres regenerative medical materials. At present, the product pipeline of Meiyan Space has covered the fundamental categories of light medical aesthetics, including filling, shaping, supporting, optoelectronic device and skin care.

During the Period, the dual-wave radio frequency microneeedle Sylfirm X exclusively distributed by Sihuan Pharmaceutical and manufactured by VIOL Korea has officially obtained Class III medical device registration certificate from the NMPA on 19 March 2024. Sylfirm X is the world's first FDA and NMPA registered dual wave RF microneeedle. It can effectively reduce skin wrinkles and treat atrophic acne scars by emitting high-frequency electrical currents to induce coagulation of skin tissues. The product adopts PW (pulsed wave) and CW (continuous wave) dual-wave RF pulse type, through eight dual-wave treatment modes namely PW1, PW2, PW3, PW4/CW1, CW2, CW3, CW4, and adopts the bipolar non-insulated microneedle electrodes, which can cover the entire skin dermal layer for treatment, with a uniform energy output and a significant therapeutic effect. It targets 0.3mm-4mm subcutaneous precise treatment, and the clinical effect shows that there is no serious adverse reaction related to the treatment and is with short recovery period after surgery. Through 300μm 0.3s precise treatment, it is comfortable and painless without bleeding. There are 25+ clinical publications proving the safety and efficacy of Sylfirm X. Its patented "NA effect" maximises the thermal effect on the target tissue with almost no epidermal damage. <0.3s tissue response starts at the tip of the microneedle electrode, thus achieving an effective and safe treatment, making the product an advanced treatment and care for people with all skin types and problematic skin.

On the sales side, in the first half of 2024, Meiyan Space continued to implement the 3.0 version of the marketing and sales strategy and strengthened strategic cooperations with leading medical aesthetics institutions, boosted market investments in areas of direct sales and intensified its efforts of agent management. Through a nationwide medical aesthetic marketing and sales network to drive up the sales volume from various aspects.

- With the comprehensive implementation of "direct sales + distribution" sales strategy, the personnel of direct sales and agent teams of Meiyan Space has increased to more than 660. Among them, over 70% of the direct sales personnel are from international leading medical aesthetics and pharmaceutical companies such as Allergan and Galderma. In terms of breadth, we launched the "Spark Plan" to intensify the efforts of agent management. With the launch of hyaluronic acid Persnica™, the number of our agent teams has increased to 34, and their collaborations have formed a strong sales management network.

- During the Period, Meiyan Space has comprehensively strengthened its cooperations with leading medical aesthetic hospital groups and regional leading institutions, increased its number of agents in unexplored regions and fully covered 34 provinces in China. In the first half of 2024, Meiyan Space signed annual cooperation agreements with 65 medical aesthetics chain groups and 67 core regional monolithic institutions. The coverage of key core hospitals increased by 220 as compared to the last year to 900 across the country. Meiyan Space has established closer cooperative relationships with hospitals, providing more comprehensive and long-term marketing services for medical aesthetic institutions.

- By deepening the 3.0 version of the marketing strategy, the product matrix formed by the botulinum toxin Letybo®, hyaluronic acid Persnica™, the dual-wave radiofrequency microneedle Sylfirm X and regenerative PLLA gel Karlian, which are available for sale by Meiyan Space, has formed a leading advantage and gained recognition and approval from customers.

On the market side, in the first half of the year, Meiyan Space capitalized the momentum and actively launched 4 major series of campaigns that penetrated over 20 cities, connecting over 200 institutions and over 400 doctors running those campaigns, and continuously delving into the industry and the market. During the Period, the major campaigns launched by the market side included (but not limited to):

- Since January 2024, Meiyan Space launched the "Le Young Club Goddess Season" campaign. Centered around its botulinum toxin Letybo® and supplemented by the hyaluronic acid Persnica™, the two products were utilized to jointly apply on indications and directly showcase their attributes, differences, activities and other elements, which targets core customer groups and build a product language that transits from product side to consumer side, improving the institutions' communication efficiency and offering visual guidance for consumers, so as to achieve the dual effect response from the dual products. After the release of the Le Young Club Goddess Season campaign, various institutions from Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Changsha and Qingdao quickly joined the campaign. The campaign system of Le Young Club Goddess demonstrated the fast coverage and penetration of the C-sided market of the "Twin Stars of Letybo® and Persnica™" dual products.

- From March to June 2024, Meiyan Space continued the "Le Young Club" series, expanded brand new campaign units and content, and rolled out the blockbuster B-sided empowerment campaign "Le Young Club Elites". A total of 8 Persnica™ and Letybo® dual products regional case sharing sessions and injection technology practical sessions were organized nationwide, with an aim to deeply explore the scientific joint application and innovation solutions of "Twin Stars of Letybo® and Persnica™", create and harness the effect of related cases, and delve into the practical frontline applications. By empowering institutions with various job occupations like professional aesthetic design, brand operations as well as technology practice and training, it has not only achieved win-win situations for the industry under the current environment, but also boosted the upward power of the industry as a whole, and helped institutions to provide personalized and in-depth solutions to meet the sculpting needs of customers.

- After the dual-wave radiofrequency microneedle Sylfirm X officially received the NMPA Class III medical device approval on 19 March 2024, Meiyan Space has launched a series of events since April 2024. The Sylfirm X made a grand appearance at 4 major medical aesthetic conferences. After its approval, the product has filled the vacancy of dual-wave radiofrequency microneedle in the country and made its debut on the International Medical Cosmetic Summit – 2024 Smart Beauty Summit on 12 April, with a precise engagement of over 4,000 professionals in the industry such as physicians, operators and institutional general managers. In May, the Sylfirm X made its appearance on industrial conferences such as the 17th Mevos Conference in Hangzhou, the 12th National Minimally Invasive Medical Aesthetics Conference of the Chinese Association of Plastics and Aesthetics, and the 19th Academic Conference of the Chinese Medical Association's Aesthetics Medicine Branch. At the same time, Meiyan Space also invited leading experts in the industry to share the Sylfirm X-related clinical applications, building a high-quality platform for professional exchanges within the industry and promoting the academic development in the fields of problematic skin repair and anti-aging.

On the medical side, during the Period, Meiyan Space has taken the academic promotion of Letybo® and Persnica™ to a new level through 8 academic conferences sponsorships and collaborations, over 350 national academic/practical training seminars, as well as strategies such as academic and medical strategy expansions.

- Meiyan Space intensified long-term cooperations with intermediary associations and academic units to promote the development of botulinum and hyaluronic acid towards joint application, compliance and innovation. During the Period, Meiyan Space constructed the Sichuan University's Tanmei Space and the Tongji University's injection training base, being one of the first units to be stationed at the Aesthetics Medicine Adverse Reaction Treatment Center of the China Association of Plastic Surgery, participated in academic conferences of the industry such as the annual meeting of the Chinese Association of Plastic Surgeons, the annual meeting of the China Orthopaedic Association, the annual academic conference of the Aesthetics Medicine Branch of the Chinese Medical Association and the Mevos Conference. Meiyan Space has made academic sponsorships to an aggregate of 8 conferences and training courses that covers 8,000 doctors in aggregate.

- Meiyan Space is committed to developing diversified training programs which involve blue ocean aspects such as micro droplets, large muscles and external contour, providing strong support for business expansion. During the Period, over 350 national academic/practical training seminars were organized, including the Tanmei training center's "Twin Stars of Letybo® and Persnica™" External Contour Practical Training, Letybo® Micro Droplets* Large Muscles Training, Letybo® Hospitalization Training, the Research and Study Society of Young Doctors and joint creation of the Twin Stars of Letybo® and Persnica™ case masters, with an coverage of approximately 3,000 doctors in the fields of injection and dermatology.

- Meiyan Space actively participated in expert consensus development projects, and jointly developed and updated training materials to ensure the training strategies are in line with the development needs and trends of medical aesthetics, and placed emphasis on expert cooperations in clinical studies. During the Period, Meiyan Space completed various professional academic consensus building projects such as the Medical Aesthetics Application of Letybo® Expert Consensus Project and the Clinical Application of Dual Wave Radiofrequency Microneedle Expert Consensus Project. Also, Meiyan Space commenced 3 post-market researcher-initiated trial projects in conjuction with leading KOLs, and jointly developed and updated 25 training materials of botulinum toxin and hyaluronic acid in conjunction with KOLs nationwide.

Meiyan Space will continue to provide high-quality products and medical aesthetics services from four aspects, i.e. product, sales, market and medicine: continuously strengthening strategic cooperations with leading medical aesthetic institutions, firmly adhering to the sales strategy of "direct sales + agents", simultaneously empowering institutional customers through multiple, diversified marketing campaigns, providing high-quality and efficient services and solutions, helping institutions to enhance comprehensive service capabilities and promoting the increase of products sales volume. On the other hand, Meiyan Space always adheres to the purpose of "the essence of medicine" and create benchmarks for the medical aesthetic industry through dialogues and cooperations with KOLs in the industry and demonstrating the value of product differentiation from an academic perspective, so as to bring extra innovations and breakthroughs to the medical aesthetics market.

1.2 Xuanzhu Biopharm: A leading Chinese biopharmaceutical company with comprehensive independent research and development capabilities for innovative drugs in both small molecule and large molecule fields

Xuanzhu Biopharm, a subsidiary of Sihuan Pharmaceutical, is an innovative pharmaceutical company rooted in China with a global vision. It focuses on major disease areas such as digestive disease, oncology and non-alcoholic steatohepatitis (NASH), and is committed to the research, development, production and commercialization of Class 1 new drugs with core independent intellectual property rights to meet unmet treatment needs. The company has a team with rich experience in innovative drug research and development and industrialization. It has been deeply engaged in research in the fields of digestive disease, oncology and NASH for many years, and has a profound understanding and global vision of the development of new drugs and future directions in related fields. The company has two R&D platforms for both small molecule and large molecule drugs. The dual engines drive the company's innovative development, and have formed a rich product pipeline that covers small molecule drugs, large molecule drugs and ADC. The company takes "innovation-driven, promoting the development of innovative drugs in China and serving human health" as its strategic concept, "open innovation, courage to take responsibility, overcoming difficulties, scientific rigor" as its values, and major unmet clinical needs as its guide to continuously develop Class 1 new drug products with international competitiveness, and is committed to developing into a top-tier innovative drug company with independent R&D, production and sales capabilities.

Multiple Innovative Drugs under Development, with Comprehensive Layout for Unmet Clinical Needs

Focusing on major therapeutic areas such as Digestive Disease, Oncology, and NASH, having a complete and balanced layout of long-, medium-, and short-term pipelines, and strong continuous innovation capabilities

Drug Name	Target	Category	Self-developed /License-in	Indications	Pre-clinical	IND	Clinical Trial			NDA/ ANDA	Approval
							Phase I	Phase II	Phase III		
Anaprazole Sodium Enteric-coated Tablets (Anjiuwei)	PPI	Innovative chemical drug	Self-developed	**Duodenal ulcer (DU)**							
				Reflux esophagitis (RE)							
Birociclib Tablets (XZP-3287)	CDK4/6	Innovative chemical drug	Self-developed	**HR+/HER2- advanced breast cancer (combined with Fulvestrant)**							
				HR+/HER2- advanced breast cancer (combined with AI)							
				HR+/HER2- advanced breast cancer							
				Adjuvant treatment for HR+/HER2- early breast cancer							
Dexitinib Tablets (XZP-3621)	ALK	Innovative chemical drug	Self-developed	**First-line treatment for ALK+ advanced NSCLC**							
				Adjuvant treatment for ALK+ NSCLC following tumor resection							
Fulvestrant Injection	SERD	Generic drug	License-in	HR+ and/or ER+ locally advanced or metastatic breast cancer							
XZP-5610	FXR	Innovative chemical drug	Self-developed	Non-alcoholic steatohepatitis (NASH)							
XZB-0004	AXL	Innovative chemical drug	License-in	Solid tumor							
				Myelodysplastic syndromes (MDS)							
				Acute myeloid leukemia (AML)							
KM602	CD80 fusion protein	Innovative biological drug	License-in	Solid tumors (melanoma, small cell lung cancer)							
KM501	HER2/HER2-ADC	Innovative biological drug	Self-developed	HER2+ tumors (breast cancer, gastric cancer, ovarian cancer, etc.)							
XZP-6019	KHK	Innovative chemical drug	Self-developed	Non-alcoholic steatohepatitis (NASH)							
XZP-6877	DNA-PK	Innovative chemical drug	Self-developed	Solid tumors (breast cancer, ovarian cancer, small cell lung cancer, head and neck cancer, etc)							
XZP-6924	USP1	Innovative chemical drug	Self-developed	Solid tumors (breast cancer, ovarian cancer, prostate cancer, pancreatic cancer, etc.)							
XZP-7797	PARP1	Innovative chemical drug	Self-developed	Solid tumors (breast cancer, ovarian cancer, prostate cancer, pancreatic cancer, etc.)							

Note: Pipeline progress: as of 31 July 2024

During the Period, Xuanzhu Biopharm actively promoted the research and development and commercialization of its products and made substantial progress. In January 2024, Birociclib passed the registration on-site inspection and GMP compliance inspection, and the review of the NMPA is progressing smoothly. If the NDA is approved, Birociclib will become the company's second self-developed innovative drug approved for marketing. In April 2024, the NDA of "Dexitinib Tablets" (code: XZP-3621), a Class 1 innovative drug independently developed by Xuanzhu Biopharm, was accepted by the Center for Drug Evaluation (CDE), NMPA. It is indicated for the treatment of adult patients with anaplastic lymphoma kinase (ALK)-positive locally advanced or metastatic non-small cell lung cancer (NSCLC). If the NDA of this product is approved, it will become Xuanzhu Biopharm's third independently developed innovative drug approved for marketing. Clinical study results show that XZP-3621 has excellent activity against multiple resistance mutations of first-generation and some second-generation ALK inhibitors, and compared with same target drugs already on the market, XZP-3621 has a higher objective response rate and better safety in the treatment of patients with ALK-positive locally advanced or metastatic NSCLC. In addition, XZP-3621 can cross the blood-brain barrier and is effective against tumor brain metastases. According to the data from China Insights Consultancy (CIC), the market size of targeted drugs for ALK-positive advanced NSCLC in China is expected to grow from approximately RMB3.4 billion in 2021 to approximately RMB7 billion in 2030.

On June 2024, Fadanafil (code: XZP-5849), a Class 1 innovative drug independently developed by Xuanzhu Biopharm, reached an exclusive development and commercial licensing cooperation with Livzon Pharma in the Greater China Region. Fadanafil is a highly selective phosphodiesterase 5 (PDE5) inhibitor and Xuanzhu Biopharm has independent intellectual property rights and global rights to it. Fadanafil can significantly relieve lower urinary tract symptoms (LUTS) caused by prostatic hyperplasia, and has good therapeutic effects on erectile dysfunction and pulmonary hypertension. Fadanafil can also reduce side effects such as visual impairment and back pain which caused by other PDE5 inhibitors in clinical treatment. At present, the Phase II clinical trial of this product is about to begin.

In the same month, Xuanzhu Biopharm's first commercialized product, the independently developed Class 1 innovative proton pump inhibitor Anaprazole Sodium Enteric-coated Tablets (trade name: Anjiuwei), won the "Annual Drug Innovation Achievement Award" at the 4th Drug Innovation Award Selection hosted by the Securities Times. The drug innovation capability of Xuanzhu Biopharm received high recognition from industry experts and scholars.

2024 marks the first year that Anjiuwei (Anaprazole Sodium Enteric-coated Tablets) will be covered by national medical insurance. During the Period, Xuanzhu Biopharm accelerated the commercialization of Anjiuwei®, adopted a sales strategy of direct sales + distribution, rapidly promoted product sales, accelerated product access, and increased market share. As of 30 June 2024, Xuanzhu Biopharm has more than 30 cooperative distributors, covering 100% of provinces and more than 600 hospitals. The leaders of Xuanzhu Biopharm's sales team have more than 10 years of experience in pharmaceutical sales and promotion, and have rich experience in distributor management, channel maintenance, expert resources, academic promotion, and product access, etc.

With the successful commercialization of Anjiuwei, Xuanzhu Biopharm has become a biotech unicorn company with commercialized products, and will continue to move towards its goal of becoming "a leading Chinese biopharmaceutical company with comprehensive independent research and development capabilities for innovative drugs in both small molecule and large molecule fields."

1.3 Huisheng Biopharm: Being a biopharma focusing on diabetes and its complications, to create the most trusted and popular brand of diabetes mellitus medicine

Huisheng Biopharm, a subsidiary of the Group, is a biopharmaceutical company that focuses on the therapeutic areas of diabetes and its complications. After ten years of construction and development, the company currently has a world-class R&D team with rich experience in diabetes drug R&D. It has more than 30 products in the pipeline, which cover second-generation insulin, third-generation insulin, new generation insulin (covering basal insulin, premixed insulin, and rapid-acting insulin), the new mechanism products including SGLT-2 receptor inhibitors and GLP-1 receptor agonists as well as other commonly used hypoglycemic and complication treatment drugs. It is one of the few companies in China to achieve full product coverage in the therapeutic areas of diabetes and its complications.

Rich Product Pipeline, Realizing Full Coverage in Diabetes and Complications

13 drugs approved for launch, 4 drugs in NDA/ANDA evaluation phase, 10+ drugs in different stages of clinical R&D

Therapeutic Area	Category	Drug name	R&D Stage					NDA/ANDA evaluation	Approval
			Pre-clinical	IND	Phase I	Phase II	Phase III		
Diabetes	GLP-1	**Semaglutide Injection (diabetes)**							
		Semaglutide Injection (obesity or overweight)							
		HSP012C (dual targets)							
		HSP016 (triple targets)							
	Insulin and analogues (New Insulin)	**Insulin Degludec Injection (Huiyouda)**							
		Insulin Degludec and Insulin Aspart Injection (Huiyoujia)							
		Insulin Degludec and Liraglutide Injection							
		HSP002							
	Insulin and analogues (3rd Generation)	**Insulin Aspart /30 /50 Injection (Huiyourui/Huiyourui 30/ Huiyourui 50)**							
	Insulin and analogues (2nd Generation)	Recombinant Human Insulin Injection							
		Protamine Recombinant Human Insulin /30R /50R Injection							
	SGLT-2	**Ganagliflozin Proline Tablets (Huiyoujing)**							
		Dapagliflozin Tablets, Empagliflozin Tablets							
	DPP-4	Sitagliptin Phosphate Tablets, Sitagliptin Phosphate/Metformin Hydrochloride Tablets							
		Vildagliptin Tablets							
		Linagliptin Tablets							
Complications of diabetes	Preferred or commonly used in clinical, with unique mechanism	Mecobalamin Tablets							
		Mecobalamin Injection							
		Thioctic Acid Injection							
		Calcium Dobesilate Capsules							
		Epalrestat Tablets							

Note: Pipeline progress: as of 30 August 2024

Huisheng Biopharm has an extensive pipeline of products for diabetes and its complications, and continues to accelerate the progress of product R&D, registration and commercialization. During the Period, a total of four drugs have been approved for launch, including Proline Ganagliflozin Tablets Huiyoujing (single agent or in combination with metformin tablets), Vildagliptin Tablets, Sitagliptin Phosphate/ Metformin Hydrochloride Tablets and Calcium Dobesilate Capsules. The NDA of Insulin Degludec and Insulin Aspart Injection Huiyoujia, as well as Insulin Degludec Injection Huiyouda were approved in July and August, respectively. Moreover, the IND application of Semaglutide Injection for overweight indications was accepted by the NMPA during the Period and was approved in August, and the phase III clinical trial for glucose-lowering indications was completed for enrollment during the Period.

Ganagliflozin Proline tablets (trade name: Huiyoujing), a Class 1 innovative drug SGLT-2 receptor inhibitor developed by Huisheng Biopharm, has obtained drug registration approval from the NMPA in January 2024. This is the second Class 1 innovative drug SGLT-2 receptor inhibitor approved for launch in China. The results of its clinical phase III study show that it not only exhibits a good hypoglycaemic effect but also offers multiple benefits, such as lowering blood pressure, reducing weight and improving blood lipids, with a low risk of hypoglycemia and good safety. When compared with similar SGLT-2 inhibitor products already on the market, Ganagliflozin showed similar

or even better results. According to CHIS statistics, the domestic market size for SGLT-2 receptor inhibitors increased from RMB659 million in 2019 to RMB5,088 million in 2022, with a CAGR of 97.6%, growing rapidly. The future market size is expected to exceed RMB10 billion. As the second domestic innovative SGLT-2 receptor inhibitor, Ganagliflozin tablets demonstrate immense market potential.

During the Period, Huisheng Biopharm has also made positive progress in the development of Semaglutide Injection. The IND application for Semaglutide Injection for overweight or obesity was accepted by the NMPA in June 2024 and was approved in August, and the phase III clinical trial for glucose-lowering indications was completed for enrollment during the Period. Semaglutide is a long-acting GLP-1 receptor agonist injected once a week that has better hypoglycemic and weight-loss effects than the classic GLP-1 receptor agonist drug Liraglutide. The total global sales of Semaglutide Injection surpassed US$20 billion in 2023, representing a growth of 94.5% year-on-year as compared with 2022. The sales for glucose-lowering indications exceeded US$16 billion, representing a year-on-year growth of more than 60%, while sales for weight-loss indications reached approximately US$4.5 billion, representing a year-on-year growth of more than 400%. In China, the sales of Semaglutide Injection in 2023 amounted to approximately RMB5 billion, representing a year-on-year growth of 119%. Both the domestic and international markets for Semaglutide Injection have experienced rapid expansion.

With new products obtained NDA/ANDA approvals, Huisheng Biopharm expedited the product commercialization processes during the Period. Insulin Aspart Injection, Insulin Aspart 30 Injection and Insulin Aspart 50 Injection, were all selected in the "National Centralized Drug Procurement (Insulin Special Renewal)" at Class A prices during the Period. Mecobalamin Tablets, a drug for complications of diabetes, and Vildagliptin Tablets, a DPP-4 inhibitor drug for diabetes, were selected in the provincial alliance's centralized procurement, which will expand product sales, accelerate product access and drive up the market shares.

Product sales of Huisheng Biopharm are mainly carried out through a distributed sales model. The fundamental structure of a sales team has been established at present, and the brand and products of Huisheng Biopharm are promoted and advertised through professional academic promotion model. During the Period, the sales network has expanded to 31 provinces and cities in China (excluding Hong Kong, Macau and Taiwan) and more than 2,200 hospitals, including over 270 tertiary hospitals and over 700 secondary hospitals.

During the Period, the Class 1 innovative drug SGLT-2 receptor inhibitor drug developed by Huisheng Biopharm, Ganagliflozin, has also obtained NDA approval and is expected to be launched on the market for sale in the second half of the year. As Huisheng Biopharm's first Class 1 innoative drug to be launched on the market for sale, the sales team has made a series of pre-marketing preparations, including fully preparing for the negotiations of entering the National Reimbursement Drug List in 2024,

fulfilling its position in product differentiation, intensifying the investments of academic promotion, optimizing national and regional experts management and carrying out national and core regional academic promotion campaigns, so as to enhance the market awareness and recognition of the Huisheng Biopharm brand and Ganagliflozin products, and establish core brand position for the SGLT-2 receptor inhibitor drug Ganagliflozin; in terms of channel expansion, Huisheng Biopharm will focus on providing prioritized coverage of public tertiary hospitals, and gradually distribute the sales channels to extend its coverage to secondary hospitals, community and township health centers, key locations around hospitals and other retail pharmacies. After the offline channels gradually stabilize and mature, online sales of products will be further launched, forming an integrated marketing model of "offline + online" synergy.

Huisheng Biopharm is a biopharmaceutical platform that the Group has carefully incubated for nearly ten years, targeting the huge potential diabetes and its complications market in China. In the future, with the gradual implementation of Huisheng Biopharm's product pipeline and the continuous emergence of innovative products, Huisheng Biopharm will become a leading biopharmaceutical leader in China with a full range of products in the therapeutic areas of diabetes and its complications, thus realizing a continuous amplification of its value.

2. Generic medicine: multiple new products of generic drugs obtained ANDA approvals during the Period and will soon be commercialized. The revenue of generic medicine is expected to rebound in the future as the number of sales of key products gradually increases

As the Company's "cash-cow" business, the generic medicine business has always provided long-term stable cash flow to the Group, supporting the Group to forge ahead with the innovation, transformation and upgrade of "medical aesthetics + innovative drugs". However, there has been a temporary decline in the revenue of the generic medicine business due to the impacts of price reductions in certain generic drugs as a result of centralized procurement and their inclusion in the key monitoring catalogue. Despite this, the revenue of generic medicine is expected to rebound in the future as the sales volume of key products will gradually increase and new products are being commercialized gradually.

During the Period, the generic medicine business achieved a segment revenue of approximately RMB597.3 million, representing a year-on-year decrease of 29.4%, and achieved a profit in the segment results amounting to approximately RMB166.4 million, representing a year-on-year decrease of 53.4%.

The generic medicine business of the Group has a rich product pipeline, including approximately 100 generic drugs on sale and approximately 50 generic drugs under R&D. Also, the Group's strong registration ability enabled quick product registration and marketing. During the Period, the generic medicine business of the Group achieved a number of milestones, including 7 generic drugs such as Rivaroxaban Tablets (2.5 mg),

Ticagrelor Orodispersible Tablets, Terbutaline Sulfate Injection and Aprepitant Capsules which have obtained drug registration approval from the NMPA. 6 APIs passed the technical evaluation carried out by the CDE of the PRC, while the result of their joint evaluation with preparations was "A".

The Group believes that by leveraging on the comprehensive and professional marketing platform built over the past 20 years and the 100% coverage of first-tier and new first-tier cities, it will swiftly commercialize these newly approved products. Meanwhile, the gradual increase in the sales of multiple key products under the Group, such as the Cinepazide Maleate Injection (Kelin'ao®) and non-PVC solid-liquid dual chamber bag, will provide extra support for the revenue of generic medicine business to rebound in the future and achieve a stable growth thereafter.

At the same time, the Group will continue to drive the optimization and integration of certain generic medicine or non-core healthcare businesses to balance the development and stableness of the generic medicine "cash-cow" business. The Group believes that by vigorously ensuring the stable development of the "cash-cow" business, it can focus its management and company resources on the development of two new businesses – medical aesthetics and innovative drugs, which will further implement the dual-wheel drive strategy of "medical aesthetics + innovative pharmaceuticals".

PROSPECTS AND FUTURE GROWTH STRATEGY

In 2024, the Group will continue to implement and expedite the dual-wheel drive strategy of "medical aesthetics + innovative pharmaceuticals", focusing its management on driving and safeguarding the continuous high growth of the medical aesthetics business, and accelerate the promotion and realization of the commercial development of newly approved innovative drugs and biological drugs for marketing, whilst keeping optimizing and integrating the non-core healthcare business and CDMO business of the Group.

In the medical aesthetics business, the Group will continue to work towards to the strategic goal of "becoming a leading medical aesthetics enterprise in China that can serve the life-cycle needs of aesthetics seekers with a full range of product coverage". During the Period, the Group intensified its efforts to drive the implementation of version 3.0 of its medical aesthetics marketing strategy, expanded its product and sales network within the medical aesthetics sector, established closer strategic cooperative development with dozens of large and medium-sized domestic medical aesthetics groups, swiftly advanced the R&D, registration and marketing of new medical aesthetics products, and focused on the simultaneous improvement of scale and quality. In the future, the medical aesthetics business of the Group will become a new engine for generating continuous cash flows.

In respect of the pharmaceutical business, the Group will further consolidate the results of its transformation and upgrading to an innovative biopharmaceutical enterprise, rapidly promote the R&D progress of its innovative biopharmaceutical core product pipeline, and focused part of its management on accelerating product registration and marketing as well as achieving commercialized sales, so as to ensure that the corporate value of the Group will be continuously released and enhanced.

In respect of the generic medicine business, the Group will continue to promote the optimization and integration of non-core healthcare business and CDMO business while vigorously ensuring the steady development of the "cash-cow" business, pay great attention to the implementation of cost-reducing and efficiency-improving measures for those generic pharmaceuticals and healthcare businesses that are still experiencing net cash outflows, and continuously monitor the risk overview of the Group's cash flow management.

CONCLUSION

The Group believes that through the continuous implementation of the "medical aesthetics + innovative pharmaceuticals" dual-wheel drive strategy, accelerating the transformation into medical aesthetics and innovative biopharmaceuticals business, and continuing to optimize and integrate the generic pharmaceuticals business, etc., the Group's efficiency in the allocation of resources and its medium- to long-term financial performance will be further enhanced, and the Company's overall value and its ability to withstand the cyclical risks of the industry will also be significantly increased in the future. Therefore, the Group will also bring better investment returns to our shareholders and investors who have been believing in and supporting the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	**2024** ***RMB'000*** **(Unaudited)**	2023 *RMB'000* (Unaudited)
Revenue	*3*	**949,697**	1,055,705
Cost of sales		**(341,181)**	(307,972)
GROSS PROFIT		**608,516**	747,733
Other income	*3*	**107,839**	93,857
Other gains – net	*3*	**60,436**	35,131
Distribution expenses		**(213,466)**	(212,487)
Administrative expenses		**(240,339)**	(212,168)
Research and development expenses		**(195,589)**	(294,036)
Other expenses		**(18,293)**	(11,870)
OPERATING PROFIT		**109,104**	146,160
Finance expenses	*4*	**(132,460)**	(133,542)
Share of profits and losses of investments accounted for using the equity method		**4,144**	(45,672)
LOSS BEFORE TAX		**(19,212)**	(33,054)
Income tax expense	*5*	**(48,746)**	(85,886)
LOSS FOR THE PERIOD		**(67,958)**	(118,940)
Attributable to:			
Owners of the Company		**(33,424)**	(49,644)
Non-controlling interests		**(34,534)**	(69,296)
		(67,958)	(118,940)

	Notes	**2024** ***RMB'000*** **(Unaudited)**	2023 *RMB'000* (Unaudited)
LOSS FOR THE PERIOD		**(67,958)**	(118,940)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**–**	–
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(67,958)**	(118,940)
Attributable to:			
Owners of the Company		**(33,424)**	(49,644)
Non-controlling interests		**(34,534)**	(69,296)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(67,958)**	(118,940)
		RMB	*RMB*
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*6*		
Basic loss per share for loss for the period		**(0.36 cents)**	(0.53 cents)
Diluted loss per share for loss for the period		**(0.36 cents)**	(0.53 cents)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	**30 June 2024** ***RMB'000*** **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,128,456**	2,174,591
Right-of-use assets		**653,155**	667,438
Investment properties		**225,027**	245,930
Goodwill		**1,853**	1,853
Intangible assets		**801,496**	775,962
Investments accounted for using the equity method		**664,304**	649,619
Deferred tax assets		**26,377**	31,770
Financial assets at fair value through profit or loss	*7*	**82,960**	354,275
Other non-current assets		**146,163**	331,481
Pledged deposits		**56,756**	98,756
Total non-current assets		**4,786,547**	5,331,675
CURRENT ASSETS			
Inventories		**475,408**	557,323
Trade and other receivables	*8*	**1,350,230**	1,134,750
Financial assets at fair value through profit or loss	*7*	**854,386**	589,016
Cash and cash equivalents		**4,010,067**	3,778,666
Pledged deposits and time deposits		**50,000**	144,000
Total current assets		**6,740,091**	6,203,755
CURRENT LIABILITIES			
Trade and other payables	*11*	**1,642,463**	1,710,825
Interest-bearing bank borrowings	*10*	**227,517**	269,680
Contract liabilities		**174,259**	131,785
Income tax payable		**37,216**	44,205
Lease liabilities		**11,472**	12,385
Other current liabilities		**2,022,878**	1,937,922
Total current liabilities		**4,115,805**	4,106,802
NET CURRENT ASSETS		**2,624,286**	2,096,953

	Notes	30 June 2024 *RMB'000* (Unaudited)	31 December 2023 *RMB'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,410,833**	7,428,628
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**70,385**	70,323
Interest-bearing bank borrowings	*10*	**859,229**	864,142
Lease liabilities		**26,677**	30,276
Contract liabilities		**37,162**	44,190
Other non-current liabilities		**1,328,114**	1,282,673
Total non-current liabilities		**2,321,567**	2,291,604
Net assets		**5,089,266**	5,137,024
EQUITY			
Equity attributable to owners of the Company			
Share capital	*9*	**77,058**	77,058
Treasury shares		**(47,701)**	(33,811)
Share premium	*9*	**3,882,304**	3,882,304
Other reserves		**(387,961)**	(439,765)
Retained earnings		**897,511**	946,344
		4,421,211	4,432,130
Non-controlling interests		**668,055**	704,894
Total equity		**5,089,266**	5,137,024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company							
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2024 (audited)	**77,058**	**(33,811)**	**3,882,304**	**(439,765)**	**946,344**	**4,432,130**	**704,894**	**5,137,024**
Loss for the period	–	–	–	–	**(33,424)**	**(33,424)**	**(34,534)**	**(67,958)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(33,424)**	**(33,424)**	**(34,534)**	**(67,958)**
Employee share incentive scheme:								
– Value of employee services	–	–	–	**36,309**	–	**36,309**	–	**36,309**
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	**(2,305)**	**(2,305)**
Special reserve for maintenance and production funds *(i)*	–	–	–	**410**	**(410)**	–	–	–
Repurchase of shares	–	**(13,890)**	–	–	–	**(13,890)**	–	**(13,890)**
Capital contribution by an non-controlling shareholder of a subsidiary	–	–	–	**86**	–	**86**	–	**86**
Transfer to PRC statutory reserve fund	–	–	–	**14,999**	**(14,999)**	–	–	–
As at 30 June 2024 (unaudited)	**77,058**	**(47,701)**	**3,882,304**	**(387,961)**	**897,511**	**4,421,211**	**668,055**	**5,089,266**

	Attributable to owners of the Company							
	Share capital *RMB'000*	Treasury shares *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2023 (audited)	77,058	–	3,882,304	(528,850)	1,306,486	4,736,998	902,828	5,639,826
Loss for the period	–	–	–	–	(49,644)	(49,644)	(69,296)	(118,940)
Total comprehensive loss for the period	–	–	–	–	(49,644)	(49,644)	(69,296)	(118,940)
Employee share incentive scheme:								
– Value of employee services	–	–	–	59,721	–	59,721	–	59,721
Final 2022 dividend *(Note 12)*	–	–	–	–	(298,560)	(298,560)	–	(298,560)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(6,000)	(6,000)
Special reserve for maintenance and production funds *(i)*	–	–	–	2,106	(2,106)	–	–	–
Repurchase of shares	–	(33,811)	–	–	–	(33,811)	–	(33,811)
Capital contribution by non-controlling shareholders of a subsidiary	–	–	–	(8,798)	–	(8,798)	17,736	8,938
As at 30 June 2023 (unaudited)	77,058	(33,811)	3,882,304	(475,821)	956,176	4,405,906	845,268	5,251,174

Note:

(i) Pursuant to the relevant PRC regulations, the Group is required to transfer production and maintenance funds at fixed rates based on revenue to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be deducted from the specific reserve account.

1. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES

1.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

1.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and impact of the revised IFRSs are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

2. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the medical aesthetic products segment which includes filling, shaping, supporting, supplementing, optoelectronic devices, body sculpturing, skin care and others to provide non- or minimally invasive medical aesthetics comprehensive solutions;

(b) the innovative medicine and other medicine segment; and

(c) the generic medicine segment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income, non-lease-related finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the chief operating decision-maker who assesses the performance of the operating segments based on their revenue and operating profit rather than their assets and liabilities.

Six months ended 30 June 2024

	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Generic medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(Note 3)*				
Sales to external customers	**322,773**	**29,595**	**597,329**	**949,697**
Intersegment sales	**–**	**23,439**	**–**	**23,439**
Total segment revenue	**322,773**	**53,034**	**597,329**	**973,136**
Reconciliation:				
Elimination of intersegment sales				**(23,439)**
Total				**949,697**
Segment results	**98,169**	**(258,271)**	**166,389**	**6,287**
Reconciliation:				
Unallocated other income				**26,879**
Unallocated other gains – net				**5,636**
Unallocated expenses				**(45,240)**
Unallocated finance expenses				**(16,918)**
Share of profits and losses of investments accounted for using the equity method				**4,144**
Loss before tax				**(19,212)**

Six months ended 30 June 2023

	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Generic medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segment revenue *(Note 3)*				
Sales to external customers	194,046	15,962	845,697	1,055,705
Intersegment sales	18	13,742	–	13,760
Total segment revenue	194,064	29,704	845,697	1,069,465
Reconciliation:				
Elimination of intersegment sales				(13,760)
Total				1,055,705
Segment results	62,943	(344,003)	356,724	75,664
Reconciliation:				
Unallocated other income				14,712
Unallocated other gains – net				(28,737)
Unallocated expenses				(31,820)
Unallocated finance expenses				(17,201)
Share of profits and losses of investments accounted for using the equity method				(45,672)
Loss before tax				(33,054)

During the six months ended 30 June 2024, all sales were made to distributors and there was no single distributor of the Group from which the revenue amounted to 10% or more of the Group's revenue (six months ended 30 June 2023: Nil).

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue and other income is as follows:

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue			
Revenue from contracts with customers:	*i*		
Sale of pharmaceutical products and medical aesthetic products		**949,697**	1,055,705
Other income			
Interest income		**73,839**	77,448
Hospital services income		**14,380**	6,893
Gross rental income from investment property operating leases	*ii*	**4,674**	7,400
Sales of distribution rights	*iii*	**7,028**	1,416
Research and development income		**767**	–
Others		**7,151**	700
Total		**107,839**	93,857

(i) Revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

	Medical aesthetic products ***RMB'000*** **(Unaudited)**	**Innovative medicine and other medicine** ***RMB'000*** **(Unaudited)**	**Generic medicine** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Type of goods				
Sale of pharmaceutical products and medical aesthetic products	**322,773**	**29,595**	**597,329**	**949,697**
Geographical markets				
Chinese Mainland	**317,121**	**29,595**	**597,329**	**944,045**
United States of America	**5,652**	**–**	**–**	**5,652**
Total	**322,773**	**29,595**	**597,329**	**949,697**
Timing of revenue recognition				
Goods transferred at a point in time	**322,773**	**29,595**	**597,329**	**949,697**

For the six months ended 30 June 2023

	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Generic medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Type of goods				
Sale of pharmaceutical products and medical aesthetic products	194,046	15,962	845,697	1,055,705
Geographical markets				
Chinese Mainland	187,565	15,962	845,697	1,049,224
United States of America	6,481	–	–	6,481
Total	194,046	15,962	845,697	1,055,705
Timing of revenue recognition				
Goods transferred at a point in time	194,046	15,962	845,697	1,055,705

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the six months ended 30 June 2024

	Medical aesthetic products *RMB'000* (Unaudited)	**Innovative medicine and other medicine *RMB'000* (Unaudited)**	**Generic medicine *RMB'000* (Unaudited)**	**Total *RMB'000* (Unaudited)**
Segments				
Sales to external customers	**322,773**	**29,595**	**597,329**	**949,697**
Intersegment sales	**–**	**23,439**	**–**	**23,439**
Subtotal	**322,773**	**53,034**	**597,329**	**973,136**
Reconciliation:				
Elimination of intersegment sales				**(23,439)**
Total				**949,697**

For the six months ended 30 June 2023

	Medical aesthetic products *RMB'000* (Unaudited)	Innovative medicine and other medicine *RMB'000* (Unaudited)	Generic medicine *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Segments				
Sales to external customers	194,046	15,962	845,697	1,055,705
Intersegment sales	18	13,742	–	13,760
Subtotal	194,064	29,704	845,697	1,069,465
Reconciliation:				
Elimination of intersegment sales				(13,760)
Total				1,055,705

(ii) The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 days from the date of billing. An analysis of rental income is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets:		
Chinese Mainland	**2,308**	6,401
Hong Kong	**2,366**	999
Total	**4,674**	7,400

(iii) The geographical market of all the sales of distribution rights is Chinese Mainland. The performance obligation is satisfied over time as the distributors are granted the rights to distribute the Group's products for a certain period and advances are normally required on the inception of the distribution agreement. Contracts for the sale of distribution rights are for periods of five years.

The following table shows the amounts of other income recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recognition of other income that was included in contract liabilities at the beginning of the reporting period:		
Sales of distribution rights	**6,783**	1,416

		For the six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Other gains – net			
Government grants	*i*	**29,757**	26,825
Gain on disposal of an investment property		**10,930**	–
Gain on deemed dilution		**10,541**	7,910
Gain on changes in fair value of financial assets at fair value through profit or loss		**5,173**	1,339
Exchange gains, net		**3,974**	(1,045)
Others		**61**	102
Total		**60,436**	35,131

Note:

(i) The total government grants represented the subsidies received from the local government and no specific conditions were attached to them.

4. FINANCE EXPENSES

An analysis of finance expenses is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Interest-bearing bank and other borrowings	**25,887**	29,453
Redemption liabilities on subsidiaries' shares	**107,645**	103,729
Lease liabilities	**845**	1,601
Total interest expense on financial liabilities not at fair value through profit or loss	**134,377**	134,783
Less: Interest capitalised	**(1,917)**	(1,241)
Total	**132,460**	133,542

5. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2024. The PRC subsidiaries of the Group have determined and paid the corporate income tax in accordance with the Corporate Income Tax Law of the PRC at the tax rate of 25% (six months ended 30 June 2023: 25%). Certain PRC subsidiaries of the Group were qualified as high-tech enterprises. Accordingly, those subsidiaries' corporate income tax for the six months ended 30 June 2024 and 2023 was provided for at a preferential tax rate of 15%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**43,291**	35,490
Deferred	**5,455**	50,396
Total	**48,746**	85,886

6. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the period attributable to owners of the Company of RMB33,424,000 (six months ended 30 June 2023: RMB49,644,000), and the weighted average number of ordinary shares of 9,280,033,000 (six months ended 30 June 2023: 9,313,011,000) in issue during the period, as adjusted to reflect the repurchased shares during the period.

The calculation of the diluted loss per share amount is based on the loss for the period attributable to owners of the Company, as used in the basic loss per share calculation. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted loss per share are based on:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company *(RMB'000)*	**(33,424)**	(49,644)
Shares		
Weighted average number of ordinary shares in issue for basic loss per share *(Share'000)*	**9,280,033**	9,313,011
Basic loss per share *(RMB cents)* for loss for the period	**(0.36)**	(0.53)
Diluted loss per share *(RMB cents)* for loss for the period	**(0.36)**	(0.53)

Note:

(i) No adjustment has been made to the basic loss per share amounts presented for the periods ended 30 June 2024 and 2023 in respect of a dilution as the impact of share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Set out below is an overview of financial assets, other than cash and cash equivalents, and trade and other receivables, held by the Group as at 30 June 2024 and 31 December 2023:

		As at	
		30 June 2024	31 December 2023
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Non-current			
Financial assets at fair value through profit or loss ("**FVPL**"):			
Unlisted equity investments, at fair value	*i*	**82,960**	354,275
Current			
Financial assets at FVPL:			
Wealth management products	*ii*	**854,386**	589,016
Total		**937,346**	943,291

Notes:

(i) The amount represents equity investments in the unquoted equity shares. The Group intends to hold these equity shares for the foreseeable future and has not irrevocably elected to classify them as financial assets at fair value through other comprehensive income.

(ii) The amount represents wealth management products issued by certain reputable banks in Chinese Mainland with no fixed interest rate. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

8. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables – third parties	**537,124**	393,211
Notes receivable	**62,050**	60,256
Loans to associates	**317,821**	243,525
Loans to third parties	**138,975**	141,475
Prepayments to suppliers	**97,229**	89,611
Amount due from other related party	**9,600**	9,600
Amount due from a joint venture	**3,201**	4,478
Amount due from an associate	**224**	224
Dividend receivable	**40,912**	40,912
Receivable for disposal of a subsidiary	**82,517**	82,517
Other receivables	**150,045**	152,902
	1,439,698	1,218,711
Provision for impairment of trade receivables	**(61,457)**	(55,650)
Provision for impairment of other receivables	**(28,011)**	(28,311)
Total	**1,350,230**	1,134,750

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**313,097**	177,132
3 to 6 months	**113,153**	81,272
6 to 12 months	**15,631**	20,581
More than 1 year	**33,786**	58,576
Total	**475,667**	337,561

9. SHARE CAPITAL AND SHARE PREMIUM

	Number of authorised ordinary shares *Share'000*	Number of issued and fully paid ordinary shares *Share'000*	Share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
As at 31 December 2022 and 31 December 2023 (audited) and at 30 June 2024 (unaudited) (HK$0.01 per share)	**100,000,000**	**9,329,999**	**77,058**	**3,882,304**	**3,959,362**

Notes:

(i) During the six months ended 30 June 2024, the Group repurchased 17,500,000 of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$9,899,000 (equivalent to RMB9,001,000) for the 2022 Share Award Scheme adopted in October 2022. As at 30 June 2024, these repurchased shares were not granted.

(ii) During the six months ended 30 June 2024, the Group repurchased 10,000,000 of its own shares on the Stock Exchange at a total consideration, including expenses, of HK$5,377,000 (equivalent to RMB4,889,000) and held as treasury shares. As at 30 June 2024, these repurchased shares were not cancelled.

10. INTEREST-BEARING BANK BORROWINGS

	As at	
	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Current		
Secured bank borrowings	**222,057**	269,680
Unsecured bank borrowings	**5,460**	–
Total	**227,517**	269,680
Non-current		
Secured bank borrowings	**859,229**	864,142
Total	**1,086,746**	1,133,822
Analysed into:		
Bank borrowings:		
Within the first year	**227,517**	269,680
Within the second to fifth years	**269,569**	271,491
Beyond the fifth year	**589,660**	592,651
Total	**1,086,746**	1,133,822

Notes:

(a) Certain of the Group's bank borrowings are secured by:

(i) mortgages over the Group's leasehold land and property, plant and equipment with an aggregate carrying value of RMB928,479,000 (31 December 2023: RMB940,714,000);

(ii) the pledge deposit of the Group amounting to RMB56,000,000 (31 December 2023: RMB98,000,000); and

(iii) a portion of equity interests in a subsidiary.

(b) All bank borrowings are denominated in RMB.

(c) The effective interest rates of the bank borrowings as at 30 June 2024 ranged from 2.70% to 4.90% (31 December 2023: 2.80% to 4.90%) per annum.

11. TRADE AND OTHER PAYABLES

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**212,985**	215,150
Cost of construction and purchase of payables	**131,602**	142,757
Payable for acquisitions of a subsidiary	**300,000**	300,000
Payable for research and development expenses	**93,808**	76,113
Deposit payables	**286,774**	359,872
Accrued reimbursement to distributors	**296,102**	336,784
Salaries payable	**57,716**	80,584
Interest payables	**12,010**	11,439
Dividends payable	**1,062**	358
Amounts due to associates	**443**	800
Notes payable	**2,880**	5,462
Other payables	**247,081**	181,506
Total	**1,642,463**	1,710,825

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

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**189,048**	192,203
6 months to 1 year	**9,548**	7,069
More than 1 year	**14,389**	15,878
Total	**212,985**	215,150

12. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends approved and paid to owners of the Company during the period:		
Final 2023 dividend of nil (2023: Final dividend for 2022 of RMB3.2 cents) per ordinary share	**–**	298,560

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividends proposed by the Company for the period:		
Interim cash dividend for 2024: RMB1.9 cents (2023: Interim cash dividend for 2023 of nil) per ordinary share	**177,080**	–

On 30 August 2024, the board of directors declared an interim dividend of RMB1.9 cents per ordinary share, amounting to a total of approximately RMB177,080,000 (six months ended 30 June 2023: Nil).

FINANCIAL REVIEW

Revenue

Total revenue of the Group for the Period was approximately RMB949.7 million (for the six months ended 30 June 2023: RMB1,055.7 million), representing a year-on-year decrease of approximately 10.0% (approximately RMB106.0 million).

Of the total revenue, sales revenue from the medical aesthetics business was approximately RMB322.8 million (for the six months ended 30 June 2023: RMB194.0 million), representing a year-on-year increase of approximately 66.4% (approximately RMB128.8 million), primarily due to the Group's medical aesthetics platform Meiyan Space's expansion of its strategic cooperation with several medical aesthetics institutions during the Period, as well as the successful gradual implementation of the 3.0 version upgrade of its marketing strategy. Its products gained high recognition in the market, which drove a significant growth in sales revenue from its medical aesthetics business.

Sales revenue from the generic medicine business was approximately RMB597.3 million (for the six months ended 30 June 2023: RMB845.7 million), representing a year-on-year decrease of approximately 29.4% (approximately RMB248.4 million), mainly due to the impact of centralized procurement and the inclusion of certain products in the key monitoring catalogue by the relevant governing authorities in 2023, which led to a larger decline in the overall average price and sales volume of the generic medicine business during the Period.

In addition, revenue from the innovative medicine and other medicine was approximately RMB29.6 million (for the six months ended 30 June 2023: RMB16.0 million), representing a year-on-year increase of approximately 85.0% (approximately RMB13.6 million), mainly due to the launching and commercialization of the first-class new drug Anaprazole Sodium, which was self-developed by Xuanzhu Biopharm, and in the second half of 2023, started generating revenue. The above changing trends in sales revenue are in line with the current industry policy of "innovation-driven and transformation" in the PRC.

Cost of Sales

During the Period, the Group's cost of sales was approximately RMB341.2 million (for the six months ended 30 June 2023: RMB308.0 million), representing a year-on-year increase of RMB33.2 million or an increase of 10.8%. One of the main reasons was the significant growth in sales volume of the Group's medical aesthetics business, which led to a corresponding increase in the cost of sales.

Gross Profit

During the Period, the Group's gross profit was approximately RMB608.5 million (for the six months ended 30 June 2023: RMB747.7 million), representing a year-on-year decrease of approximately 18.6% (approximately RMB139.2 million), mainly due to the overall decrease in the Group's sales revenue and the increase in cost of sales (as analyzed above).

The Group's overall gross profit margin was 64.1%, representing a year-on-year decrease of 6.7% as compared to 70.8% for the corresponding period last year, primarily due to decline in the gross profit of the Group's generic medicine business during the Period.

Other gains – net

During the Period, the Group's other gains – net was approximately RMB60.4 million (for the six months ended 30 June 2023: RMB35.1 million), representing a year-on-year increase of 72.1% (approximately RMB25.3 million), mainly due to an increase in the Group's overall foreign exchange gains, an increase in the fair value changes of financial assets at fair value through profit or loss and a gain on the disposal of an investment property during the Period.

Distribution expenses

During the Period, the Group's distribution expenses approximated RMB213.5 million (for the six months ended 30 June 2023: RMB212.5 million), representing a year-on-year increase of 0.5% (approximately RMB1.0 million), mainly due to the significant growth in sales volume of the Group's medical aesthetics business, which led to a corresponding increase in selling expenses.

Administrative expenses

During the Period, the Group's administrative expenses approximated RMB240.3 million (for the six months ended 30 June 2023: RMB212.2 million), representing a year-on-year increase of 13.2% (approximately RMB28.1 million), mainly due to the absorption of listing expenses of the Group's innovative drug subsidiary, Xuanzhu Biopharm, to administrative expenses during the Period, as the subsidiary's A-share listing was temporarily suspended. Additionally, there was an increase in the provision for doubtful debts due to the increase in trade receivables during the Period. We will closely monitor the collectability of such receivables to minimize and reduce the occurrence of bad debts going forward.

R&D expenses

During the Period, the Group's overall R&D expenses approximated RMB195.6 million (for the six months ended 30 June 2023: RMB294.0 million), representing a year-on-year decrease of 33.5% (approximately RMB98.4 million), mainly due to the successive completion of phase III clinical trials for several products (including innovative drugs, biopharmaceutical drugs and generic drugs) in the Group's R&D pipeline, some of which NDA applications were submitted or have already been approved for commercialization in 2023. Additionally, several self-developed products from Huisheng Biopharm, a biologics subsidiary of the Group, have completed clinical trials and submitted the NDA/ANDA.

Other expenses

During the Period, the Group's other expenses approximated RMB18.3 million (for the six months ended 30 June 2023: RMB11.9 million), representing a year-on-year increase of 53.8% (approximately RMB6.4 million), mainly due to the loss on disposal of assets incurred by the Group's innovative drug subsidiary, Xuanzhu Biopharm, from the disposal of an R&D product, Fadanafil.

Operating profit

During the Period, the Group's operating profit was approximately RMB109.1 million (for the six months ended 30 June 2023: RMB146.2 million), representing a year-on-year decrease of 25.4% (approximately RMB37.1 million), mainly due to the decline in revenue of generic medicine.

Finance expenses

During the Period, finance expenses approximated RMB132.5 million (for the six months ended 30 June 2023: RMB133.5 million), representing a year-on-year decrease of 0.7% (approximately RMB1.0 million). The total amount included the interest expenses on the redemption liabilities on subsidiaries' shares amounting to approximately RMB107.6 million (for the six months ended 30 June 2023: RMB103.7 million).

Loss before tax

During the Period, the loss before tax of the Group amounted to approximately RMB19.2 million (for the six months ended 30 June 2023: loss before tax of RMB33.1 million), representing a year-on-year decrease of 42.0% (approximately RMB13.9 million).

Income tax expense

During the Period, income tax expense of the Group amounted to approximately RMB48.7 million (for the six months ended 30 June 2023: RMB85.9 million), representing a year-on-year decrease of 43.3% (approximately RMB37.2 million). Despite an overall loss for the Period, certain generic medicine subsidiaries and medical aesthetic segments of the Group still recorded taxable profit under the PRC tax statutory regime.

Loss for the Period

Given the above, loss for the Period of the Group amounted to approximately RMB68.0 million (for the six months ended 30 June 2023: loss of RMB118.9 million), representing a year-on-year decrease of 42.8% (approximately RMB50.9 million) in loss.

Loss attributable to owners of the Company

During the Period, loss attributable to owners of the Company amounted to approximately RMB33.4 million (for the six months ended 30 June 2023: loss of RMB49.6 million), representing a year-on-year decrease of 32.7% (approximately RMB16.2 million) in loss.

Loss attributable to non-controlling interests

During the Period, loss attributable to non-controlling interests amounted to approximately RMB34.5 million (for the six months ended 30 June 2023: loss of RMB69.3 million), representing a year-on-year decrease of 50.2% (approximately RMB34.8 million) in loss.

Liquidity and financial resources

The Group maintained strong financial position. As at 30 June 2024, the Group's cash and cash equivalents, wealth management products, pledged deposits and time deposits amounted to approximately RMB4,971.3 million (31 December 2023: RMB4,610.5 million) in aggregate, of which, cash and cash equivalents amounted to approximately RMB4,010.1 million (31 December 2023: RMB3,778.7 million), the total wealth management products recognized in the consolidated statement of financial position amounted to approximately RMB854.4 million (31 December 2023: RMB589.0 million), and pledged deposits and time deposits amounted to approximately RMB106.8 million (31 December 2023: RMB242.8 million). During the Period, net cash inflows from operating activities amounted to approximately RMB36.5 million.

In general, the Group places its surplus cash into interest-bearing bank accounts. The Group may use extra cash for short-term investments for higher returns. Thus, the Group has entered into agreements with certain banks for surplus cash investment. According to the terms of the agreements signed, the total amount of investments conducted by the Group for the Period was approximately RMB3,911.7 million. The investments made by the Group were short-term in nature and mainly consisted of financial planning products purchased from certain state-owned banks. At their discretion, issuing banks for the above-mentioned financial planning products may invest in financial instruments such as government bonds, discounted bank acceptance bills and commercial acceptance bills and bank deposits. As the highest applicable percentage ratio in respect of the investments in each bank (after aggregation according to Rules 14.22 and 14.23 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") separately is less than 5% as at the time of the investments according to Rule 14.07 of the Listing Rules, such investments did not constitute notifiable transactions under Chapter 14 of the Listing Rules.

As at 30 June 2024, bank borrowings of the Group amounted to approximately RMB1,086.7 million (31 December 2023: RMB1,133.8 million) and other borrowings of the Group amounted to approximately RMB73.6 million (31 December 2023: RMB40.9 million). Approximately 89.1% of total amount of borrowings were at floating rates and the remaining 10.9% were at fixed rates (31 December 2023: 75% floating; 25% fixed). The Group's borrowings-to-equity ratio, expressed as a percentage of borrowings over equity attributable to owners of the Company, was 26.2% (31 December 2023: 26.5%).

The Group had sufficient cash as at 30 June 2024. The Directors are of the opinion that the Group does not have any significant capital risk.

Inventories

As at 30 June 2024, inventories amounted to approximately RMB475.4 million (31 December 2023: RMB557.3 million), representing a decrease of 14.7% (approximately RMB81.9 million). The inventory turnover period for the Period was 272 days (for the six months ended 30 June 2023: 357 days).

Trade and other receivables

The Group's trade receivables and notes receivable include credit sales of its products to be paid by its distributors. Other receivables of the Group mainly consisted of prepayments to suppliers and loans to associates and third parties. As at 30 June 2024, the Group's trade and other receivables were approximately RMB1,350.2 million (31 December 2023: RMB1,134.8 million), representing an increase of 19.0% (approximately RMB215.4 million). Trade receivables and notes receivable were approximately RMB537.7 million (31 December 2023: RMB397.8 million), representing an increase of 35.2% (approximately RMB139.9 million), mainly due to the significant year-on-year growth in sales volume of the Group's medical aesthetics business during the last few months of the Period, which led to a corresponding increase in trade receivables.

Property, plant and equipment

The Group's property, plant and equipment included buildings, production and electronic equipment, vehicles and construction in progress. As at 30 June 2024, the net book value of the property, plant and equipment was approximately RMB2,128.5 million (31 December 2023: RMB2,174.6 million), representing a decrease of 2.1% (approximately RMB46.1 million).

Intangible assets

The Group's intangible assets mainly comprised customer relationships, deferred development costs, product development in progress and trademark and software. The deferred development costs and product development in progress mainly related to the acquisition of several drug R&D projects and self-development of R&D projects. As at 30 June 2024, net intangible assets amounted to approximately RMB801.5 million (31 December 2023: RMB776.0 million), representing an increase of 3.3% (approximately RMB25.5 million), mainly due to the inclusion of investment in phase III clinical projects, which remained flat compared to the previous year.

Trade and other payables

The Group's trade and other payables mainly comprised trade payables, notes payable, deposit payables, accrued expenses and payables for cost of construction and acquisition of a subsidiary. As at 30 June 2024, trade and other payables amounted to approximately RMB1,642.5 million (31 December 2023: RMB1,710.8 million), representing a decrease of 4.0% (approximately RMB68.3 million). The overall decrease was the net effect of the decrease in accrued sales expenses in the Group's generic medicine business and the refund of certain business cooperation deposits in the medical aesthetic products segment during the Period.

Contingent liabilities

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

Off-balance sheet commitments and arrangements

As at 30 June 2024, the Group had neither entered into any off-balance sheet arrangements nor commitments to provide guarantees for any payment obligations of any third party. The Group did not have any variable interests in any unconsolidated entities which receive financing or liquidity funding, or generate market risk or provide credit support, or engage in the provision of leasing or hedging or R&D services to the Group.

Capital commitment

As at 30 June 2024, the Group's total capital commitment was approximately RMB189.5 million. It was mainly set aside for purchase of property, plant and equipment and intangible assets.

Credit risk

Credit risk arises from cash and cash equivalents, trade receivables, notes receivable, wealth management products and other receivables. All the cash equivalents and bank deposits are placed in certain PRC reputable financial institutions and high-quality international financial institutions outside Chinese Mainland. All those irrevocable bank bills, classified as notes receivable, are issued by banks in the PRC with high credit rating. There was no recent history of default of cash equivalents and bank deposits in relation to these financial institutions.

In relation to trade receivables, the Group has no significant concentrations of credit risk and has policies in place to ensure that certain cash advance has been received upon the agreement of the related sales orders with customers. For those with credit periods granted, the credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors. It also undertakes certain monitoring procedures to ensure that proper follow-up action is taken to recover overdue debts. The Group regularly performs aging analysis, assesses credit risks and estimates the recoverability regarding such receivables based on historical data and cash collection history of groups of trade receivables bearing similar credit risk.

Wealth management products are the bank financial products issued by certain PRC reputable banking institutions. There was no recent history of default and the executive directors of the board of the Company are of the opinion that the credit risk related to the investments is low.

In relation to other receivables, the credit quality of the debtors is assessed by taking into account their financial position, relationship with the Group, credit history and other factors. Management also regularly reviews the recoverability of these other receivables and follow up on the disputes or amounts overdue, if any. The executive Directors are of the opinion that the default by counterparties is likely to be low.

No other financial assets bear a significant exposure to credit risk.

Foreign exchange risk

The Group's functional currency is RMB and financial instruments are mainly denominated in RMB. The Group has some cash balances mainly denominated in United States Dollar ("**USD**") and Hong Kong dollar ("**HK$**"). It is expected that any fluctuation of these foreign currencies' exchange rates would not have material effect on the operation of the Group. In addition, dividend payment in foreign currencies converted from RMB is subject to foreign exchange rules and regulations promulgated by the PRC government. The Group would closely monitor such exchange risk from time to time. During the Period, the Group did not purchase any foreign exchange, interest rate derivative products or relevant hedging tools.

Treasury policy

The Group finances its ordinary operations mainly with internally generated resources. The principal objective of the Group's capital management is to maintain its ability to operate on a continuous basis. The Group regularly reviews its capital structure to ensure that the Group has sufficient financial resources to support its business operations.

Capital expenditure

The Group's capital expenditure mainly includes purchase of property, plant and equipment, investment properties and intangible assets. During the Period, the Group's capital expenditure amounted to approximately RMB105.4 million, of which approximately RMB48.3 million and RMB57.1 million were spent on purchase of property, plant and equipment and purchase of or self-development of intangible assets, respectively.

Material investment, acquisition and disposal

During the Period, the Group did not have any material investment, acquisition or disposal.

Future plans for material investments or capital assets

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets during the Period and up to the date of this announcement.

Pledge of assets

As at 30 June 2024, the Group had pledged certain assets to secure banking facilities granted to subsidiaries.

Human resources and remuneration of employees

Human resources are indispensable assets to the Group's success in a competitive environment. The Group is committed to providing competitive remuneration packages to all the employees and regularly reviewing human resources policies, to encourage employees to work towards enhancing the value of the Company and promoting the sustainable growth of the Company. The Group has also adopted share option scheme and share award scheme to recognise and reward the contribution of the employees for the benefit of the Group's operations and future development.

The Group continues to promote the building of talent training and development system, and conducts online and offline training based on the competency standards for positions at different levels to promote the cultivation and development of talents in the Group and ensure continuous supply of various types of talents.

As at 30 June 2024, the Group had 2,648 employees. During the Period, the Group's total salary and related costs were approximately RMB311.6 million (for the six months ended 30 June 2023: RMB320.5 million), including bonus and non-cash share-based payments of approximately RMB16.0 million and RMB36.3 million (for the six months ended 30 June 2023: RMB20.8 million and RMB59.7 million). Salary for employees was determined based on their job nature, personal performance and the market trends. The Group provides basic social insurance and housing accumulation fund for company employees as required by the PRC law.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

The Company has complied with all the applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Listing Rules throughout the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Period, the Company has, at all times, complied with the minimum requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and one of them should have appropriate professional qualifications or accounting or related financial management expertise.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors (Mr. Tsang Wah Kwong, Dr. Zhu Xun and Mr. Wang Guan), and is chaired by Mr. Tsang Wah Kwong who has a professional qualification in accountancy. The chairman of the Audit Committee has the appropriate professional qualification and experience in financial matters. The Audit Committee has reviewed the Group's interim unaudited condensed consolidated financial information for the Period.

REVIEW OF ACCOUNTS

Ernst & Young, the Company's external auditor, has reviewed the Company's interim financial information for the six months ended 30 June 2024 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Period, the Company repurchased 10,000,000 shares through the Stock Exchange at a total consideration, before expenses, of approximately HK$5.36 million and held as treasury shares (the "**Treasury Shares**"[1]). Details of repurchase are as follows:

				Aggregate consideration paid	
	Number of shares repurchased	**Repurchasing price for each share**			**Equivalent to RMB million**
		Highest HK$	*Lowest HK$*	*HK$ million*	
24 June 2024	10,000,000	0.56	0.52	5.36	4.89
Total:	**10,000,000**			**5.36**	**4.89**

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of Treasury Shares) during the six months ended 30 June 2024. As at 30 June 2024, the Company held 10,000,000 Treasury Shares. The Company intended to use such Treasury Shares for subsequent sale or transfer.

INFORMATION FOR INTERIM CASH DIVIDEND

The Board has resolved to declare an interim cash dividend of RMB1.9 cents per share (equivalent to HK2.1 cents per share) for the Period. The interim cash dividend will be payable on or around Thursday, 10 October 2024 to the shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company at the close of business on Thursday, 3 October 2024. The interim cash dividend payable to Shareholders shall be converted to and paid in HK$. The exchange rate adopted for conversion was based on the exchange rate of RMB1 to HK$1.096 as of 30 August 2024 (being the medium exchange rate of RMB to HK$ as announced by the People's Bank of China on the date of the Board meeting).

[1] has the meaning ascribed to it under the Listing Rules

CLOSURE OF THE REGISTER OF MEMBERS FOR THE ENTITLEMENT OF INTERIM CASH DIVIDEND

The register of members of the Company will be closed from Wednesday, 2 October 2024 to Thursday, 3 October 2024, both days inclusive, for the purpose of determining Shareholders' entitlements to the interim cash dividend. In order to qualify for the interim cash dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Monday, 30 September 2024.

As at 30 June 2024, the Company held 10,000,000 Treasury Shares, and the Company did not hold any repurchased shares pending cancellation. All Treasury Shares and repurchased shares pending cancellation will not receive the interim cash dividend of the Company. To the extent that any Treasury Shares are deposited with the Central Clearing and Settlement System ("**CCASS**") pending resale on the Stock Exchange, the Company will withdraw the Treasury Shares from CCASS, and either re-register them in its own name as Treasury Shares or cancel them, in each case before the last registration date for the interim cash dividend.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Save for other disclosures in this announcement, there have been no significant events of the Group from 30 June 2024 to the date of this announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.sihuanpharm.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Period will be dispatched to the Shareholders and available on the above websites in due course.

Shareholders are encouraged to elect to receive corporate communications electronically. Shareholder may at any time send written notice to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via email at sihuanpharm-ecom@hk.tricorglobal.com specifying his/her name, address and request to change his/her choice of language or means of receipt of all corporate communications.

By order of the Board
Sihuan Pharmaceutical Holdings Group Ltd.
Dr. Che Fengsheng
Chairman and Executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Dr. Che Fengsheng (Chairman), Dr. Guo Weicheng (Deputy Chairman and Chief Executive Officer), Dr. Zhang Jionglong, Ms. Chen Yanling and Ms. Miao Guili; and the independent non-executive Directors are Mr. Tsang Wah Kwong, Dr. Zhu Xun and Mr. Wang Guan.