CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 867)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "Board") of directors (the "Directors") of China Medical System Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "CMS") for the six months ended 30 June 2023 (the "Reporting Period").

Financial Highlights

- Turnover up 3.6% to RMB4,610.1 million (H1 2022: RMB4,447.8 million); in the case that all medicines were directly sold by the Group, turnover up 7.1% to RMB5,536.6 million (H1 2022: RMB5,170.0 million)
- Gross profit up 4.9% to RMB3,605.9 million (H1 2022: RMB3,436.2 million); in the case that all medicines were directly sold by the Group, gross profit up 5.7% to RMB3,567.3 million (H1 2022: RMB3,375.0 million)
- Profit for the period up 6.7% to RMB1,916.0 million (H1 2022: RMB1,796.3 million)
- Basic earnings per share up 7.0% to RMB0.7835 (H1 2022: RMB0. 7325)
- As at 30 June 2023, the Group's bank balances and cash amounted to RMB4,451.4 million while readily realizable bank acceptance bills amounted to RMB254.9 million
- Declared interim dividend up 7.0% compared with the same period last year to RMB0.3134 per share (H1 2022: RMB0. 2930)

* *For identification purpose only*

Business Highlights

During the Reporting Period, the Group maintained a steady operating performance growth, and has entered into the harvest cycle of innovation development, with 3 innovative products approved for marketing in China. In addition, the independent operation structure of its dermatology and medical aesthetics business, ophthalmology business, and Southeast Asia business have been improved, escorting the Group's sustained quality development.

Three Innovative Products Approved for Marketing in China

- Diazepam Nasal Spray – an innovative drug targeting acute repetitive seizures that is convenient to use with a very rapid onset of action, was approved for marketing in China in June 2023. As the first Diazepam Nasal Spray approved in China, the product can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option of patients with seizure clusters.
- Tildrakizumab Injection - a monoclonal antibody specifically targeting IL-23 (innovative biological agent), was approved for marketing in China in May 2023. The product provides a better treatment option for moderate-to-severe psoriasis patients with the advantages of lesser injections, long-term safety and good tolerance.
- Methotrexate Injection (psoriasis) – the first MTX pre-filled injection for subcutaneous administration in China, was approved for marketing in March 2023, to fulfill the basic treatment solution for psoriasis patients.

Development of Major Innovative Products Progressed Steadily in China

- Methylthioninium Chloride Enteric-coated Sustained-release Tablets - an oral methylene blue sustained-release formulation that enhances diagnosis sensitivity in detecting cancerous/precancerous lesions during colonoscopy, its China NDA was under CDE review.
- The China bridging trial of Methotrexate Injection (RA) has completed all subjects enrollment.
- Desidustat Tablets - an innovative oral HIF-PHI, its China Phase III clinical trial was progressing steadily with the completion of all subjects enrollment in August.

Dermatology and Medical Aesthetic Business "CMS Aesthetics"

- Marketed dermatology prescription products achieved breakthroughs: Tildrakizumab Injection was approved for marketing, producing synergy effect with marketed products such as Hirudoid and Aethoxysklerol.
- Continued expansion of light medical aesthetic products: gained an exclusive license in China for a regenerative medical aesthetic product, synergizing with marketed Korean hyaluronic acid and others, to build a comprehensive light medical aesthetic solution.

Ophthalmology Business "CMS Vision"

- Innovative medical device, EyeOP1® Glaucoma Treatment Device, has completed market access in many provinces and cities, and is synergizing with the exclusive marketed product Augentropfen Stulln Mono Eye Drops in marketing and promotion.
- VEGF/ANG2 Tetravalent Bispecific Antibody, a class I innovative biological agent, has obtained clinical trials approval in China.

Southeast Asia Business "Rxilient Health"

- In March, Rxilient Health entered into a collaboration agreement with Junshi Biosciences to promote the commercialization of toripalimab in Southeast Asia via a joint venture, providing quality China innovative drug for local cancer patients.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	NOTES	Six months ended 30 June 2023	2022
		RMB'000 (unaudited)	RMB'000 (unaudited)
Turnover	3	4,610,127	4,447,791
Cost of goods sold		(1,004,237)	(1,011,641)
Gross profit		3,605,890	3,436,150
Other income		133,710	108,793
Other gains and losses		97,262	60,146
Selling expenses		(1,339,620)	(1,278,460)
Administrative expenses		(317,984)	(279,676)
Research and development expenses		(75,740)	(55,551)
Finance costs		(21,208)	(18,112)
Share of results of associates		197,816	82,424
Share of results of a joint venture		2,466	-
Profit before tax		2,282,592	2,055,714
Income tax expense	4	(366,641)	(259,390)
Profit for the period	5	1,915,951	1,796,324
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		15,565	20,733
Exchange differences arising on translation of foreign operations		7,962	10,436
Exchange differences arising on translation of interest in associate		14,882	-
Change in fair value on cash flow hedges			
- fair value (loss) gain		(8,902)	11,839
- deferred tax relating to change in fair value		652	(1,363)
Items that will not be reclassified to profit or loss:			
Fair value loss on equity instrument at fair value through other comprehensive income		(12,467)	(169,726)
Other comprehensive income (expense) for the period, net of income tax		17,692	(128,081)
Total comprehensive income for the period		1,933,643	1,668,243
Profit (loss) for the period attributable to:			
Owners of the Company		1,921,056	1,798,736
Non-controlling interests		(5,105)	(2,412)
		1,915,951	1,796,324
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		1,938,748	1,670,655
Non-controlling interests		(5,105)	(2,412)
		1,933,643	1,668,243
		RMB	RMB
Earnings per share	7		
Basic		0.7835	0.7325

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		402,602	425,480
Right-of-use assets		70,830	69,979
Interest in associates		3,220,405	3,044,818
Interest in a joint venture		222,627	-
Intangible assets		1,925,074	2,066,423
Goodwill		1,547,903	1,665,993
Equity instruments at fair value through other comprehensive income		284,581	297,048
Deposits paid for acquisition of intangible assets		1,388,911	1,285,415
Amount due from an associate	9	30,000	30,000
Deferred tax assets		48,918	39,007
		9,141,851	8,924,163
Current assets			
Inventories		616,448	477,206
Financial asset at fair value through profit or loss		1,629,112	1,491,336
Trade and other receivables and prepayments	8	1,950,952	2,043,944
Loan receivable		72,258	70,168
Tax recoverable		253	253
Derivative financial instruments		29,695	42,021
Amount due from an associate	9	493,550	328,072
Bank balances and cash		4,451,367	4,376,376
		9,243,635	8,829,376
Current liabilities			
Trade and other payables	10	496,082	563,194
Lease liabilities		14,720	15,804
Contract liabilities		26,337	21,614
Bank borrowings		1,281,485	1,783,337
Derivative financial instruments		-	562
Deferred consideration payables		955	1,000
Tax liabilities		400,000	327,819
Obligation arising from put options		-	163,773
		2,219,579	2,877,103
Net current assets		7,024,056	5,952,273
Total assets less current liabilities		16,165,907	14,876,436

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Capital and reserves		
Share capital	83,991	83,991
Reserves	15,900,145	14,505,076
Equity attributable to owners of the Company	15,984,136	14,589,067
Non-controlling interests	47,604	148,010
	16,031,740	14,737,077
Non-current liabilities		
Deferred tax liabilities	107,878	124,959
Lease liabilities	26,289	13,491
Deferred consideration payables	-	909
	134,167	139,359
	16,165,907	14,876,436

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

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

3. TURNOVER AND SEGMENT INFORMATION

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

For sales of pharmaceutical products to customers, revenue is recognised at a point in time when control of the pharmaceutical products is passed to customers, i.e. when the products are delivered and titles have passed to customers upon receipt by customers. For provision of promotion services to customers, revenue is recognised at a point in time when the Group satisfies its obligation to arrange for the pharmaceutical products to be provided by manufacturers to distributors.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Sales of pharmaceutical products	3,278,537	3,330,644
Promotion income	1,331,590	1,117,147
	4,610,127	4,447,791

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

During the Reporting Period, the Group has one reportable operating segment that is marketing, promotion, sales and manufacturing of pharmaceutical products. The scale of other business is smaller, therefore no new reportable operating segment is established.

No analysis of the Group's assets and liabilities by operating segments is disclosed and provided to the chief operating decision maker for review as the Group only has one reportable operating segment.

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	249,366	178,665
Hong Kong Profits Tax	43,559	3,219
Macau Complementary Income Tax	84,885	72,899
	377,810	254,783
Deferred taxation:		
Current period	(11,169)	4,607
Income tax expense for the period	366,641	259,390

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	22,495	21,477
Amortisation of intangible assets (included in cost of goods sold)	81,050	83,012
Cost of inventories recognised as an expense	918,741	923,913
Interest income	(64,876)	(51,742)
Net exchange (gain) loss	(69,095)	50,162

6. DIVIDENDS

During the Reporting Period, a final dividend of RMB0.2414 per share in respect of the year ended 31 December 2022 (six months ended 30 June 2022: RMB0.2269 per share in respect of the year ended 31 December 2021) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid during the Reporting Period amounted to RMB591,910,000 (six months ended 30 June 2022: RMB557,594,000).

Subsequent to the end of the interim period, the Directors have determined that an interim dividend of RMB0.3134 per share and amounting to RMB768,453,000 (six months ended 30 June 2022: RMB0.2930 per share and amounting to RMB718,645,000) will be paid to the owners of the Company.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	1,921,056	1,798,736

	Number of ordinary shares	
	As at 30 June	
	2023	2022
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,451,988,512	2,455,551,910

The computation of diluted earnings per share for the six months ended 30 June 2023 and 2022 does not assume the exercise of put options by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for the for the six months ended 30 June 2023 and 2022.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2023	31 December 2022
	RMB'000	RMB'000
Trade receivables	1,362,858	1,451,678
Less: Allowance for credit losses	(9,643)	(9,643)
	1,353,215	1,442,035
Bills receivables	254,921	269,579
Purchase prepayment	179,292	211,746
Other receivables and deposits	163,524	120,584
	1,950,952	2,043,944

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

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

	30 June 2023	31 December 2022
	RMB'000	RMB'000
0 - 90 days	1,302,237	1,363,828
91 - 365 days	35,949	57,802
Over 365 days	15,029	20,405
	1,353,215	1,442,035

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

The Group applies the IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. As at 30 June 2023, the majority balances of trade receivables were within the credit period, the Directors considered that the lifetime ECL allowance is insignificant as at 30 June 2023.

9. AMOUNT DUE FROM AN ASSOCIATE

As at 30 June 2023, the balance of approximately RMB30,000,000 (31 December 2022: RMB30,000,000) was non-trade nature and non-interest bearing, represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 30 June 2023, the balance of approximately RMB493,550,000 (31 December 2022: RMB328,072,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 30 June 2023 was aged within three months (31 December 2022: within three months) based on the invoice date.

10. TRADE AND OTHER PAYABLES

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

	30 June 2023	31 December 2022
	RMB'000	RMB'000
0 - 90 days	242,229	164,837
91 - 365 days	1,948	11,715
Over 365 days	933	1,457
Trade payables	245,110	178,009
Payroll and welfare payables	133,100	200,360
Other tax payables	28,906	61,318
Accrued promotion expenses	50,482	71,273
Accruals	24,710	34,743
Other payables	13,774	17,491
	496,082	563,194

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

MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

China Medical System Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "CMS") is a platform company linking pharmaceutical innovation and commercialization with strong product lifecycle management capability, dedicated to providing competitive products and services to meet unmet healthcare needs.

The Group has been deeply rooted in the China pharmaceutical market for 31 years with proven and successful commercialization capabilities. Relying on commercialization genes, extensive expert resources, and deep market understanding, CMS unearths product demands from front-line clinical practice to guide the product deployment and development. Based on its advantages, including strong financial footing, proven clinical development and commercialization capabilities, CMS has formed innovation strategy centered on "collaborative R&D and investment" and collaborated extensively with global innovation forces, continuously deploying and developing innovative products with academic, social and commercial values; the Group has deployed about 30 short-, medium- and long-term innovative products with differentiated competitive advantages, among which 3 were approved for marketing in China in the first half of 2023, benefiting more patients.

The Group focuses on specialty therapeutic fields, such as cardio-cerebrovascular, gastroenterology, central nervous system, dermatology, ophthalmology, as well as pediatrics, etc., and has established a compliant and mature commercialization system, which has gained leading academic and market positions for its major marketed products. Deeply rooted in the specialty areas while expanding its business boundaries, the Group continues to strengthen the competitiveness of its cardio-cerebrovascular/gastroenterology business, and promotes the steady development of its independently operated divisions, "CMS Aesthetics" and "CMS Vision", aiming to gain leading positions in specialty therapeutic markets. Meanwhile, the Southeast Asia business of the Group is expanding rapidly, precisely empowering high-quality pharmaceutical products overseas and from China to commercialize in Southeast Asian market.

Business Review

In the first half of 2023, against the background of increasing aging population and advancement of "Healthy China" theme, China has put forward higher standards for pharmaceutical industry. With policy trends remained in "balancing development and security", the structural reform of industry has further deepened, driving pharmaceutical companies to accelerate their transformation to "quality development" and "differentiated innovation".

During the Reporting Period, relying on its systematic, efficient and continuously upgraded product lifecycle management system, CMS adhered to the clinical needs oriented innovative development strategy, and steadily reaped the harvests of its innovation. Three innovative drugs with differentiated advantages were approved for marketing in China. At the same time, CMS achieved continuous growth in its operating performance with the joint supports of the differentiated academical advantages of its marketed exclusive/branded products, specialty therapeutic fields focused business structure, and the compliant and refined internal control. The Group recorded a turnover of RMB4,610.1 million (H1 2022: RMB4,447.8 million), representing an increase of 3.6% over the same period last year; in the case that all medicines were directly sold by the Group, the turnover would increase by 7.1% to RMB5,536.5 million (H1 2022: RMB5,170.0 million). Profit for the period was RMB1,916.0 million (H1 2022: RMB1,796.3million), representing an increase of 6.7% year on year.

I. Innovative R&D

Capitalized on its innovative product incubation platform, and focused on real clinical needs in its advantageous specialty therapeutic fields**,** the Group has conducted in-depth collaboration with global innovative sources to deploy innovative products with differentiated advantages and efficiently promoted the products' clinical development and commercialization.

The Group continued to improve its R&D system covering the entire lifecycle of innovative products. It continued to engage in "industry-academy-research" collaboration to enhance its basic research, target analysis and other innovative technology analysis capabilities. It also actively carried out diversified training programs, and optimized the remuneration and incentive scheme, to strengthen professionalism and stability of talents in its products division. Meanwhile, the Group promoted the digitalization and standardization of the entire product management process, to comprehensively improve the organizational and execution capabilities in product valuation, medical development, clinical operation and registration management, which has laid a solid foundation for the entire innovative development from target selection to commercialization, and supported the Group to continuously deliver novel drugs that meet clinical needs, and are accessible and affordable.

1. Innovation Development Entering the Harvest Period

After over five years of innovative development and organizational transformation, the Group has achieved significant milestones in its innovation development. In the first half of 2023, three innovative products with differentiated advantages were approved for marketing in China, Diazepam Nasal Spray, Tildrakizumab Solution for Injection, and Methotrexate Injection (psoriasis indication), further enriching the Group's commercialized product portfolio. These products are expected to create synergies with its existing marketed products in cardio-cerebrovascular, dermatology and other advantageous specialty therapeutic fields, thereby

accelerating the transformation of old and new kinetic energy of business and feeding back into its future innovative development.

In addition, the Group has been steadily progressing with the development and registration process of other innovative pipelines. During the Reporting Period, the China New Drug Application (NDA) of Methylthioninium Chloride Enteric-coated Sustained-release Tablets was under review; the bridging trials for Methotrexate Injection (RA indication) and Desidustat Tablets were progressing smoothly, among which, Methotrexate Injection (RA indication) has completed the enrollment of all subjects.

1.1 Three Innovative Products Approved for Marketing in China

- **In June 2023, the first Diazepam Nasal Spray was approved for marketing in China. The product can be administered at anytime and anywhere, and meets clinical needs for accessible and convenient treatment option of patients with seizure clusters.**

Diazepam Nasal Spray is the first drug approved by the China National Medical Products Administration (NMPA) for the treatment of seizure clusters, and it is indicated for the acute treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older. The product can be administered at anytime and anywhere, and has the differentiated advantage of seizure rescue, with the characteristic of convenience and optimization through intranasal administration. The product's formulation incorporates a unique combination of Vitamin E-based solvents and Intravail® absorption enhancer, and it has high bioavailability, outstanding absorbability, tolerance and reliability, leading a rapid onset of seizure cessation.

According to estimation, there are about 6.4 million active epilepsy patients in China, and about 0.3 million new cases reported each year. However, due to a lack of proper awareness towards epilepsy and limited medical resources, the current treatment gap for patients with active epilepsy in China is 49.8%, it is estimated that about 3 million patients with active epilepsy have not received appropriate treatment. The outpatient incidence of seizure clusters is about 15% and therefore it is estimated that nearly 500,000 patients with active epilepsy receiving regular treatment still have seizure clusters. Diazepam Nasal Spray is convenient to use and has rapid onset of action, and offers a better treatment option for patients suffering from seizure clusters.

- **In May 2023, Tildrakizumab Injection (the brand name "ILUMETRI"), a monoclonal antibody specifically targeting IL-23, was approved for marketing in China. It offers psoriasis patients a safe and effective treatment option with lesser administrations.**

ILUMETRI is a humanized IgG1/κ monoclonal antibody designed to selectively bind to the p19 subunit of

interleukin-23 (IL-23) and inhibit its interaction with the IL-23 receptor, leading to inhibition of the release of pro-inflammatory cytokines and chemokines. ILUMETRI has been approved by the China NMPA for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy.

The results of its extended study of Phase III clinical trial in China demonstrated that the primary efficacy assessment indicator PASI 75 response rate continued to increase over treatment time. The PASI 75 response rate reached a high level after 28 weeks of treatment with ILUMETRI and maintained at 91.3% at week 52, and it showed good long-term safety and tolerance. ILUMETRI only requires 4 administrations per year over maintenance period, which may result in higher patient compliance.

In China, there are over 7 million psoriasis patients, of which about 57.3% have developed into moderate-to-severe psoriasis. ILUMETRI provides moderate-to-severe plaque psoriasis adult patients with a safe and effective treatment option with lesser administrations.

- **In March 2023, Methotrexate Injection was approved for marketing in China. It is the first MTX pre-filled injection for the treatment of psoriasis by subcutaneous administration in China**

Methotrexate Injection is the first Methotrexate (MTX) pre-filled injection for subcutaneous administration in China. The product has been approved by the China NMPA for the treatment of severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids.

MTX has anti-inflammatory, anti-proliferative and immunomodulatory effects, and is currently one of the most effective traditional drugs for the treatment of psoriasis. However, oral MTX has poor patient compliance due to relatively large gastrointestinal side effects. The product is administered subcutaneously (this form of administration was recommended by domestic and foreign guidelines), which can increase bioavailability, and has lower side effects than oral MTX, in particular less adverse reactions in the gastrointestinal tract, and can improve patient treatment compliance and achieve a greater balance among efficacy, good safety tolerance and compliance. The product is available in a variety of small-capacity strengths, which are easy to use, allowing patients to self-administer medication at home under the judgment and guidance of a doctor to facilitate long-term disease management. The product can provide a safe, effective, convenient, and accurate methotrexate dosing regimen for patients and can meet the needs of psoriasis patients for systemic treatment.

In addition, during the Reporting Period, the Group successfully completed the enrollment of all subjects (141 subjects enrolled in total) in the bridging trial of Methotrexate Injection for adult rheumatoid arthritis

(RA) in China. This study is a randomized, open-label, positive-controlled, multi-center phase III clinical trial, aiming to compare efficacy and safety between methotrexate injection and methotrexate tablets in the treatment of adult RA patients. Led by Peking Union Medical College Hospital, Chinese Academy of Medical Sciences, the study had been conducted in 20 centers nationwide. MTX is recognized internationally as the first choice first-line and anchor drug for the treatment of RA. The product is expected to become the first methotrexate prefilled injection for the treatment of RA by subcutaneous administration in China.

1.2 Clinical Development Progress of Innovative Products in China

Methylthioninium Chloride Enteric-coated Sustained-release Tablets - an oral methylene blue sustained release formulation that enhances diagnosis sensitivity in detecting cancerous/precancerous lesions during colonoscopy (approved in Europe)

During the Reporting Period, the NDA of Methylthioninium Chloride Enteric-coated Sustained-release Tablets was under review by Center for Drug Evaluation (CDE) in China.

The NDA is supported by a phase III clinical trial in China, which is a randomized, double-blind, placebo controlled, multi-center bridging trial, with 1,802 subjects enrolled in total (only 6 months was taken), aiming to evaluate the efficacy of the product in improving the detection rate of histologically confirmed non-polypoid colorectal lesions in subjects undergoing colonoscopic screening or colonoscopic monitoring, and the trial obtained positive results. The result of primary study endpoint of this clinical trial, the detection rate of nonpolypoid colorectal lesions (the proportion of subjects with at least one histologically confirmed non-polypoid colorectal lesion), showed it was 51% in the test group (the product was given) and 41.2% in the control group (placebo was given). The difference between the two groups was statistically significant ($P<0.0001$), indicated that the product could significantly increase the detection rate of non-polypoid colorectal lesions.

Methylthioninium Chloride Enteric-coated Sustained-release Tablets is a novel oral sustained-release formulation for diagnosis, which can help to improve the detection rate of colorectal cancer/precancerous lesions by enhancing visualization of the colorectal lesions in adult patients undergoing screening or surveillance colonoscopy.

Desidustat Tablets – a novel oral HIF-PHI (approved in India)

During the Reporting Period, the China Phase III bridging trial of Desidustat Tablets was progressing steadily. In August, the trial was completed the enrollment of all the 152 subjects. It is a randomized, double-blind, placebo controlled, and multi-center bridging clinical trial, aiming to evaluate the efficacy of Desidustat Tablets in the treatment of anemia caused by non-dialysis chronic kidney disease (CKD) based on changes in

hemoglobin (Hb) level from baseline. Led by Peking Union Medical College Hospital, Chinese Academy of Medical Sciences, the study had been conducted in 28 centers nationwide.

Desidustat Tablets is a novel oral Hypoxia-inducible factor-prolyl hydroxylase inhibitor (HIF-PHI) with good compliance and is expected to meet this unmet treatment needs of CKD-caused anemia (including hemodialysis and non-dialysis patients).

Ruxolitinib cream - the first and only topical JAK inhibitor approved by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA) for repigmentation in vitiligo

During the Reporting Period, the Group actively progressed the preparatory work for the clinical development of ruxolitinib cream in China. In April, the Group signed a strategic collaboration agreement with Haikou National High-tech Industrial Development Zone Management Committee and the Management Bureau of Boao Lecheng International Medical Tourism Pilot Zone. By leveraging the favorable policies in Hainan, the Group may accelerate the clinical application of the product in China.

Ruxolitinib cream is a topical JAK inhibitor, selectively inhibiting Janus kinase 1 and 2 (JAK1/JAK2). In July 2022, ruxolitinib cream was approved by the U.S. FDA for the topical treatment of nonsegmental vitiligo in adults and pediatric patients aged 12 years of age and older. In September 2021, it was approved by the U.S. FDA for the topical short-term and noncontinuous chronic treatment of mild to moderate atopic dermatitis (AD) in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable. Ruxolitinib cream is also being evaluated by Incyte in other immune-mediated dermatologic diseases such as lichen planus and lichen sclerosus.

If approved, ruxolitinib cream may offer a new treatment option to non-segmental vitiligo and mild to moderate AD patients in Greater China and 11 Southeast Asian countries.

PLENITY - a safe and effective orally-administered weight management product made from naturally derived materials (approved in the U.S. and Europe)

During the Reporting Period, the Group received a supplementary information notice from the China Medical Device Evaluation Center (CMDE) regarding the marketing application (based on clinical data supporting its approval in the U.S.) of PLENITY. This notice required the Group to conduct clinical trials in China. To ensure the smooth execution of the clinical trials, the Group has proactively communicated with CMDE to withdraw the marketing application and is actively preparing for the clinical trials of the product in China.

PLENITY is used in combination with diet and exercise to aid in weight management in adults with a BMI of 25-40kg/m$^{2.}$ Based on proprietary hydrogel technology and made from two naturally derived materials, cellulose and citric acid, PLENITY is an effective and safe, orally-administered, non-systemic and non-stimulant weight management product.

1.3 Innovative Pipeline

Launched Overseas/ China or Under Overseas Marketing Application Review

Product	Rights Authorized Region**	Indication	Clinical Trial Approval	Clinical Trial for Registration	Marketing Application	Marketed	Major Marketed Regions			
							CN	US	EU	JP
Diazepam Nasal Spray		Intermittent, stereotypic episodes of frequent seizure activity (i.e. seizure clusters, acute repetitive seizures) that are distinct from a patient's usual seizure pattern in patients with epilepsy 6 years of age and older					2023.6.7	✓		
Tildrakizumab Solution for Injection (Biological Agent)		Treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy or phototherapy					2023.5.26	✓	✓	✓
Methotrexate Injection		Severe recalcitrant disabling psoriasis, which is not adequately responsive to other forms of therapy such as phototherapy, PUVA, and retinoids.					2023.3.24		✓	
		Adult rheumatoid arthritis							✓	✓
Methylthioninium Chloride Enteric-coated Sustained-release Tablets		An diagnostic agent to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy							✓	
Desidustat Tablets		Anemia in patients with chronic kidney disease								
Cyclosporine Eye Drops 0.09%		Increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye)						✓		
PLENITY		An aid for weight management in adults with a BMI of 25-40 kg/m^2 when used in conjunction with diet and exercise						✓	✓	
Latanoprost Eye Drops		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						✓		
ruxolitinib cream		Topical treatment of nonsegmental vitiligo in adults and pediatric patients aged 12 years of age and older						✓	✓	
		Topical short-term and non-continuous chronic treatment of mild to moderate AD in non-immunocompromised adult and pediatric patients 12 years of age and older whose disease is not adequately controlled with topical prescription therapies or when those therapies are not advisable						✓		
Levetiracetam XR Tablet		Adjunctive therapy for the treatment of partial-onset seizures						✓		
BCG for Intravesical Instillation (Biological Agent)	*	Non-invasive urothelial bladder carcinoma, including curative treatment of carcinoma in situ and prophylactic treatment of recurrence							✓	
PoNS		Chronic balance deficit due to mild-to-moderate traumatic brain injury								

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

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

** CMS has NO development, commercialization and other related products' rights in any unauthorized region

Under R&D Stages

Product	Rights Authorized Region**	Indication	Pre-clinical	Clinical Trial Approval	Phase I	Phase II	Phase III	Marketing Application
SDN-037		Eye pain and inflammation after cataract surgery						
PDP-716		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						
CF101		Psoriasis						
ACT017 (Biological Agent)		Acute phase of ischemic stroke						
CF102		Hepatocellular carcinoma						
		Non-alcoholic fatty liver disease / non-alcoholic steatohepatitis						
XF-73		Prevention of post-surgical staphylococcal infections						
		Infectious diseases						
Y-3 injection*		Used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke						
BB2603		Onychomycosis and tinea pedis						
VXM01 (Biological Agent)		Recurrent glioblastoma						
VEGF/ANG2 Tetravalent Bispecific Antibody (Biological Agent)		Intended for ocular fundus neovascular diseases						
Nearly 10 innovative products under customization		Including small molecules, monoclonal antibodies, bispecific antibodies, and siRNA products, etc.						

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

*In August, CMS gained a permanent exclusive promotion right of a class 1 innovative drug, Y-3 injection, in Mainland China, Hong Kong and Macao

** CMS has NO development, commercialization and other related products' rights in any unauthorized region

II. Commercialization System

The Group has established a compliant, efficient and resource-sharing commercialization platform, which consists of a professional and highly qualified promotion team with strong execution, and extensive channel resources as well as a wide range of expert networks in specialty therapeutic fields, and has accumulated proven experience in market access, academic promotion, brand building, retail management and government affairs, etc.

In order to achieve larger-scale clinical application and better commercial value transformation of innovative products, the Group explored products' differentiated academic advantages in-depth and customized promotion strategies based on precise market positioning, while actively promoting academic diagnosis and treatment guidelines as well as expert consensus recommendations, thus to accelerate the brand building of innovative products.

For marketed exclusive or original products, the Group customized market penetration and promotion plans according to their developmental stage and competition landscape. The Group conducted cross-regional and multi-level academic conferences on a regular basis, to build a professional, differentiated and quality brand image; while actively carrying out post-marketing clinical trials to enrich products' medical evidences. In addition, the Group has actively increased the coverage and traffic diversion of retail market centered on pharmacies closed-to-hospitals and chain pharmacies, and strengthened patients' compliance management in conjunction with its retail clients. Meanwhile, the Group actively carried out patient-oriented innovative promotion, with the aid of disease education and patient assistance programs along with new media operations, to strengthen product accessibility and patient recognition while increasing disease awareness and treatment rate, benefiting more patients.

The Group adheres to the operation principle of "compliance first", closely followed national and industrial compliance trends to continuously upgrade its internal policies, and has established a cross-departmental and comprehensive compliance control system. Through internal risk control such as unannounced inspections, special inspections, and comprehensive audits, with upgraded digital tools enabling real-time supervision and effective early warning to realize refined management across the entire marketing and promotion process. Meanwhile, the Group has formed a multi-dimensional training program, which matches personalized training plans with positions and development paths of employees, to establish a dynamic learning atmosphere for its professional teams with strong academic knowledge.

As of 30 June 2023, the Group's promotion network covered over 50,000 hospitals and medical institutions, and more than 200 thousand retail pharmacies in China.

1. Marketed Products

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

Product line	Product	Indication/Function	Product Advantage
Cardio-cerebrovascular Line	XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection)	Acute decompensated heart failure	The only Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine available in Chinese market
	Plendil (Felodipine Sustained Release Tablets)	Hypertension and stable angina pectoris	Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity
	Deanxit (Flupentixol and Melitracen Tablets)	Mild-to-moderate depression, anxiety and psychosomatic affections	Ranking the first in the market share of antidepressant medicines in China according to 2022 IQVIA data
Gastroenterology Line	Ursofalk (Ursodeoxycholic Acid Capsules)	Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis	Stably ranking the first in the market share among products in Chinese cholagogue market according to 2022 IQVIA data
	Salofalk (Mesalazine)	Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn’s disease	Ranking the first in the market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease in China according to 2022 IQVIA data
	Bioflor (Saccharomyces Boulardii Sachets)	Diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance	Probiotics preparations with abundant medical evidence and high-level recommendations from authoritative domestic and overseas guidelines

	Combizym (Oryz-aspergillus Enzyme and Pancreatin Tablets)	Dyspepsia caused by a decrease in digestive enzymes	Effective in both stomach and intestines, the recommended digestive enzyme preparation for the replacement therapy of pancreatic exocrine insufficiency
Ophthalmology Line	Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops)	Senile macular degeneration and all forms of asthenopia	The representative medicine for the treatment of asthenopia and the safe and convenient option for treatment of senile macular degeneration
	EyeOP1® Glaucoma Treatment Device	Glaucoma with intraocular pressure that cannot be controlled by drugs and surgery	Using focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma
Dermatology Line	Hirudoid (Mucopolysaccharide Polysulfate Cream)	Blunt traumata with and without hematomas, and superficial phlebitis that cannot be treated by compression	Repair agent for skin barrier with multiple functions
	Aethoxysklerol (Polidocanol Injection)	Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins	A German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application
Dermatology Grade Skincare Product	Heling Soothing Product Series (including 3 products)	Skin soothing with a combination of cleansing and moisturizing which is suitable for sensitive skin	Composed of four core ingredients that can moisturize and soothe the skin, helping to repair the skin barrier

Light Medical Aesthetic Product	Vmonalisa (Modified Sodium Hyaluronate Filler for Injection)	Used for mid to deep dermal implantation for the correction of moderate to severe nasolabial folds (medium and macro particle); Used for the deep dermal to subcutaneous implantation for the correction of moderate to severe nasolabial folds (small particle)	Painless, fashionable and accessible luxury HA filler with multiple particle sizes from South Korea, featured with high safety and natural effect, meeting diverse anti-aging demands
	Strataderm/ Stratamark (Self-drying Silicone Scar Therapy Gels)	Prevention and improvement of hypertrophic scars	An effective silicone gel indicated for prevention of hyperplasia and improvement of new and old scars for a wide population
	Mesoestetic-Mesohyal Series (including 5 products)	Skin firming, moisturizing, elasticity increasing, etc.	Matching therapies to provide customized medical aesthetic solutions
	Neauvia Hyaluronic Acid Series* (including 4 products)	Superficial and deep skin filling, long-term moisturizing	Crossing with polyethylene glycol based on a unique cross linker technology SMART, the product has excellent rheology, high biocompatibility and good integrity

* Neauvia Hyaluronic Acid Series are sold in Hong Kong, China

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

- The products under cardio-cerebrovascular line recorded a revenue of RMB2,131.4 million, a decrease of 0.5% compared with the same period last year. In the case that all medicines were directly sold by the Group, the revenue of products under cardio-cerebrovascular line would increase by 5.9% to RMB3,096.2 million compared with the same period last year, accounting for 55.9% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of products under gastroenterology line increased by 4.2% to RMB1,779.9 million compared with the same period last year, accounting for 32.1% of the Group's revenue in the case that all medicines were directly sold by the Group.
- The revenue of the products under dermatology and medical aesthetic lines increased by 27.4% to RMB245.7 million, compared with the same period last year, accounting for 4.4% of the Group's revenue in the case that all medicines were directly sold by the Group.
- The revenue of the products under ophthalmology line increased by 29.6% to RMB245.6 million, compared with the same period last year, accounting for 4.4% of the Group's revenue in the case that all medicines were directly sold by the Group.
- Other products recorded revenue of RMB207.5 million, a decrease of 4.0% compared with the same period last year. In case that all medicines were directly sold by the Group, the revenue would increase by 8.8% to RMB169.2 million compared with the same period last year, accounting for 3.1% of the Group's revenue in the case that all medicines were directly sold by the Group.

III. Dermatology and Medical Aesthetic Business

The Group's dermatology and medical aesthetic business "CMS Aesthetics" has been operating independently since 2021. After over two years of exploration and construction, it has formed a tripartite business structure consisting of dermatology prescription business unit, medical aesthetic products business unit, and new retail business unit. During the Reporting Period, CMS Aesthetics conducted a comprehensive assessment and refinement of its organizational structure, to meet its long-term business development needs with higher operation efficiency. At the same time, under the guidance of its development strategy, CMS Aesthetics promoted human resources platform construction and the normalization of training programs, to improve skills and quality of its team, further stimulating their execution efficiency and organizational cohesion.

Focusing on the vision of becoming "the largest and most professional skin-health management company in China", CMS Aesthetics has established a product strategy of "one body" (dermatology prescription products) and "two wings" (dermatology-grade skincare products and light medical aesthetic products). Via both in-house development and external collaboration, it has been constantly improving full lifecycle skin-health management solutions to meet the diverse needs of general publics for skin diseases, health and beauty.

CMS Aesthetics continued to consolidate the expert network of dermatology prescription products based on medical evidence. For dermatology-grade skincare products and light medical aesthetics products with both medical and consumer attributes, CMS Aesthetics synergized with its rich academic resources in dermatology field to conduct in-depth interpretation of product's efficacy, and utilized the promotion matrix of new media platforms for brand building, to support continuous sales conversion via recognition building

and word-of-mouth marketing. For light medical aesthetics injections, CMS Aesthetics has proactively built the differentiated aesthetics solutions, while continually trained practitioners in medical aesthetics field, promoting health and long-term collaboration with institutional clients.

As of 30 June 2023, the CMS Aesthetics covered nearly 10,000 hospitals and medical institutions in China.

1. **Breakthrough of dermatology prescription products**

CMS Aesthetics has established a competitive products portfolio for dermatologic disease treatment, including vitiligo, psoriasis, phlebitis, varicose veins and atopic dermatitis, etc.

During the Reporting Period, Tildrakizumab Injection (for moderate-to-severe plaque psoriasis), an innovative biological agent specifically targeting the p19 subunit of IL-23, was approved for marketing in China. Relying on the accumulated academic platform of existing marketed products including Hirudoid (the repair agent for skin barrier with multiple functions) and Aethoxysklerol (a German original brand for the treatment of sclerotherapy of varicose veins with years of clinical application), CMS Aesthetics rapidly promotes the brand building and academic promotion of Tildrakizumab Injection, to solidify the foundation for its large-scale clinical application. Meanwhile, CMS Aesthetics has carried out in an orderly manner the preparation works for development, registration and clinical application of ruxolitinib cream.

2. Continued expansion of dermatology-grade skincare and light medical aesthetic products

CMS Aesthetics advanced the deployment and development of dermatology-grade skincare products and light medical aesthetic products with a scientific mindset and evidence-based approach.

In the field of skincare, CMS's dermatology-grade skincare products R&D platform "Heling", has successfully developed and marketed three soothing series products with a combination of washing and moisturizing functions (composed of four core ingredients that can moisturize and soothe the skin, helping to repair the skin barrier). It could synergize with dermatology prescription products to provide a systematic skincare solution for sensitive skin.

In the field of light medical aesthetics, in addition to the existing marketed Korean hyaluronic acid (HA) product - Vmonalisa (the painless, fashionable and accessible luxury medium-to-macro-particle HA filler, featured with high safety and natural effect), the small-particle HA product under the same brand was approved for marketing in China during the Reporting Period. Besides, in May, CMS Aesthetics entered into an exclusive license agreement with Jiangsu Xihong Biopharma Co., Ltd., to commercialize Poly-L-lactic Acid Microparticle Filler Injection in Mainland China, Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan. The product will synergize with CMS Aesthetics' marketed

Korean HA series and other mainstream medical aesthetic products, building a comprehensive light medical aesthetic solution for customers.

Poly-L-lactic Acid Microparticle Filler Injection- a regenerative medical aesthetic product adopting patented microparticle preparation process to achieve safe, lasting and natural skin rejuvenation

Poly-L-lactic Acid Microparticle Filler Injection, is developed for deep dermis and subcutaneous layer to correct moderate to severe nasolabial fold wrinkles. The product is a class III medical device, and in the registrational clinical trial stage in China. Poly-L-lactic Acid (PLLA), the main component of the product, is the high polymer material that is highly biocompatible and completely degradable with proven safety and efficacy. PLLA gradually degrades after injection, which can effectively stimulate human body's collagen regeneration to promote skin rejuvenation. In addition, the product adopts patented microparticle preparation process, which turns microparticles into regular shape and uniform size, and microparticles can be evenly distributed beneath the dermis, and the product could achieve relatively sound performance in the clinical application. The product fills the blank of regenerative medical aesthetic product of CMS Aesthetics, and enriches its light medical aesthetic injection products portfolio.

3. Steady R&D progress of focused ultrasound medical aesthetic devices

"Carnation", a focused ultrasound technology R&D platform of CMS Aesthetics, continuously promoted technological innovation and breakthrough of energy-based medical aesthetic devices based on analysis of application scenarios and market demands.

This R&D platform has three energy-based products series under development, including FUBA Focused Ultrasound Fat Reduction Device Series, LITU Focused Ultrasound Skin Treatment Series, and MEBA Ultrasonic Transdermal Delivery Series. Among which, the major pipeline product, FUBA 5200 Focused Ultrasound Body Contouring System, a non-invasive body shaping device with independent intellectual property right, has been granted multiple utility model and appearance patents in China. During the Reporting Period, the China phase III clinical trial of FUBA 5200 Focused Ultrasound Body Contouring System was advancing in an orderly manner. In August, the trial completed the enrollment of all the 144 subjects.

IV. Ophthalmology Business

The Group's ophthalmology business, "CMS Vision", has established a relatively mature business structure and built a highly professional ophthalmology focused team that have profound understanding of products and market. At the same time, with the goal of deploying medicines and medical devices covering all the ophthalmic diseases, CMS Vision focuses on the identification, development and commercialization of urgently needed clinical solutions, and is committed to becoming a leading ophthalmology pharmaceutical

and device company in China. As of 30 June 2023, CMS Vision owned EyeOP1® Glaucoma Treatment Device (using focused ultrasound technology, which is a non-invasive procedure with precise targeting and convenient operations, providing a safe and effective innovative treatment for glaucoma), an innovative medical device that has been approved for marketing in China, and the major marketed exclusive medicines, Augentropfen Stulln Mono Eye Drops (the representative medicine for the treatment of asthenopia and the safe and convenient option for treatment of senile macular degeneration). In addition, VEGF/ANG2 Tetravalent Bispecific Antibody, a Class I innovative biological agent for the treatment of ocular fundus neovascular diseases, has been granted an approval for drug clinical trials application by the NMPA in China. The Group is actively promoting the clinical development related works of the product.

During the Reporting Period, leveraging on the brand influence and academic strength of the marketed exclusive product, Augentropfen Stulln Mono Eye Drops, CMS Vision continued to expand its expert and channel network in ophthalmology field, and promoted the brand building and marketing of EyeOP1® Glaucoma Treatment Device by synergizing with accumulated resources. Since obtained the exclusive license of EyeOP1® in August 2022, CMS Vision has completed product handover and market access in many provinces and cities. By emphasizing its advantages of "non-invasive and safe intraocular pressure reduction", CMS Vision enhanced the awareness and recognition of this innovative surgical procedure (Ultrasound Cyclo Plasty). Meanwhile, in order to better undertake the marketing of innovative medical devices, CMS Vision has launched multi-dimensional training programs to comprehensively improve the relevant knowledge reserves and professional skills of its promotional staff, and continued to upgrade the capacity of its ophthalmic platform for innovative medicine and medical device.

As of 30 June 2023, the CMS Vision covered nearly 10,000 hospitals and medical institutions in China.

V. Southeast Asia Business

As an emerging market with great potential, Southeast Asian market possesses favorable economic prospects and sound geographical location and business environment, where the aging population structure is continuously driving the growth of healthcare needs. Under the combined influence of these factors, Southeast Asia has become a preferred choice for pharmaceutical companies to "go overseas". With a forward-looking vision and capitalizing on its advantages, the Group has seized the opportunity and established a platform-based and systematic Southeast Asia business company, "Rxilient Health".

During the Reporting Period, independently operated by a local team that is well-versed in the local pharmaceutical ecosystem, Rxilient Health continuously improved its platform-based operational structure, integrating product introduction, development, manufacture, CDMO (contract development and manufacturing organization), marketing and promotion. Headquartered in Singapore, Rxilient Health has

extended its business networks to Malaysia, Indonesia, Thailand, Philippines and others. Leveraging on its profound understanding of registration regulations in different countries, as well as extensive resources in government affairs and academia promotion, Rxilient Health actively prepared and promoted the commercialization of products, and the building of its academic platforms and sales networks with scale effect.

Meanwhile, Rxilient Health strives to build a solid and reliable "bridgehead" in Southeast Asia. Focusing on the unmet pharmaceutical needs of the Southeast Asian market, and leveraging global product resources of the Group, Rxilient Health quickly introduced high-quality products from Europe, the U.S., Japan, and China, and has established a diversified product portfolio including the marketed innovative medical device EyeOP1® Glaucoma Treatment Device, and several pipeline products including ruxolitinib cream, Diazepam Nasal Spray, insulin product series, etc. In March this year, Rxilient Health entered into a collaboration agreement with Junshi Biosciences. The two parties will collaborate to develop and commercialize intravenous toripalimab in nine Southeast Asian countries through their joint venture, Excellmab Pte. Ltd, to realize the commercialization of Chinese anti-PD-1 monoclonal antibody product in Southeast Asia for the first time, providing high-quality innovative drugs for local cancer patients.

Toripalimab – the first China-developed PD-1 inhibitor approved for marketing in China, and the first China-developed PD-1 inhibitor to submit marketing application to the U.S. FDA

Toripalimab has won the "Chinese Patent Gold Award (中國專利金獎)", the top award in China's patent field. The product's 6 indications have been approved in mainland China and it has been granted 2 Breakthrough Therapy, 1 Fast Track, 1 Priority Review and 5 Orphan Drug Designations by the U.S. FDA in the areas of mucosal melanoma, nasopharyngeal carcinoma, soft tissue sarcoma, esophageal cancer and small cell lung cancer. The Biologics License Application (BLA) is under review by the U.S. FDA for Toripalimab, in combination with gemcitabine/cisplatin for the first-line treatment of patients with advanced recurrent or metastatic NPC and toripalimab monotherapy for the second-line or above treatment of recurrent or metastatic NPC after platinum-containing chemotherapy. Toripalimab has the potential to become the first China-developed anti-PD-1 monoclonal antibody product approved in the U.S. Besides, the EMA and the Medicines and Healthcare Products Regulatory Agency (MHRA) also accepted the marketing authorization application (MAA) for toripalimab's 2 indications.

Events After the Reporting Period

Gaining Exclusive License of an Anti-Ischemic Stroke Class 1 Innovative Drug

On 24 August 2023, the Group through a wholly-owned subsidiary of the Company entered into a Collaboration Agreement (the "NeuroDawn Collaboration Agreement") with Nanjing NeuroDawn Pharmaceutical Co. Ltd., an innovation and R&D-driven new drug company, for anti-ischemic stroke brain

cytoprotectant and class 1 innovative drug Y-3 injection ("Y-3 injection"). In accordance with the NeuroDawn Collaboration Agreement, the Group gained an exclusive promotion right of Y-3 injection in Mainland China, Hong Kong Special Administrative Region and Macao Special Administrative Region. The term of the NeuroDawn Collaboration Agreement is permanent.

Y-3 Injection is a Class 1 innovative drug - small molecule compound, which is used to alleviate neurological symptoms and dysfunction of daily activities caused by acute ischemic stroke. The mechanism of action of Y-3 Injection is to dissociate PSD-95 and nNOS coupling and activate α2-GABAA receptors. With dual-target intervention at the same time and its clear mechanism of action, Y-3 Injection is conducive to exerting brain cytoprotection effects. Meanwhile, Y-3 Injection has a rapid anti-depression and anti-anxiety function, and is expected to become the first new type of brain cytoprotectant that treats both stroke and post-stroke depression. Y-3 Injection has compound and formulation patents in China. The Phase I clinical trial of the Product in China has been completed in January 2023 and the results showed a good overall safety. Y-3 Injection is currently in the Phase II clinical trial in China.

Impacts of Significant Industrial Policies

In the first half of 2023, with normalized implementation of National Reimbursement Drug List adjustment and National Volume Based Procurement ("National VBP"), the policies of China pharmaceutical industry remained in the main direction of "cost-control and innovation encouragement". For the Group, the National VBP remains the most influential industry policy. As at 30 June 2023, the chemical names of its three major marketed products were included in the National VBP, among which, Deanxit, Flupentixol and Melitracen Tablets Immediate-release Oral Dosage Forms, was included in the seventh National VBP catalog. While Plendil, Felodipine Sustained-release and Controlled-release Tablets Dosage Forms, and Ursofalk, Ursodeoxycholic Acid Immediate-release Oral Dosage Forms were included in the eighth National VBP catalog. The seventh and eighth batches of National VBP were implemented successively in each province and city in November 2022 and July 2023 respectively, and Deanxit, Plendil and Ursofalk were not selected.

Deanxit, Plendil and Ursofalk are all original medicines with oral administration for the treatment of relatively chronic diseases, with characteristics of well-recognized brand, relatively high academic recognition, and high retail market contribution. During the Reporting Period, the Group continued to strengthen the academic branding of these three products. Meanwhile, the Group's other marketed products, including exclusive products, dermatology and medical aesthetic products and ophthalmology products with both consumer and medical attributes, showed steady growth, effectively making up the negative impact from the National VBP. In the first half of this year, three innovative products of the Group obtained the marketing approval successfully in China, while several innovative pipeline products are in the stages of clinical development or marketing application review, laying a solid foundation for steady growth of the

Group in the future.

Future Development

Facing the challenges in times of changes, CMS has walked the path of compliance and innovation, and adhered to doing the “difficult yet right things. At the critical period when innovation outcome emerged, we firmly hold the rudder of the innovation strategies with CMS characteristics, and seek for a broader developmental space.

Adhering to the concept of patient-centered innovation and development, this year, the Group launched three innovative medicines that can effectively meet the current clinical unmet needs. Relying on our leading commercialization platform, the Group is working to accelerate their scale of clinical application, so that the returns they generated can continue to supply the Group’s innovative R&D. The Group gathers and integrates innovation sources with an open-mindset and long-termism, and has built the “laboratory without walls” to incubate the sustainable innovation power. We will put more efforts into innovation investment and organization reform, synergizing with the existing innovation achievements and reserves, to acquire more products with differentiated academic value, good competition landscape and promising business prospects. We will also continue to upgrade the management capabilities of the entire lifecycle of innovative products, build a more efficient innovative R&D ecosystem, and rapidly promote the clinical development and value transformation of cutting-edge bio-technologies, so as to benefit more patients.

Based on the specialty therapeutic fields focused business structure and taking advantage of the experts and network resources of the Group, CMS will vigorously promote the in-depth development of its three business divisions: cardio-cerebrovascular and gastroenterology, dermatology and medical aesthetics, and ophthalmology. Besides, the Group will adapt to actual needs of the business at different developmental stages and apply refined management system and comprehensive trainings, to empower the self-driven and cohesive commercialization teams and create higher barriers to competition.

At the same time, CMS focuses on the Southeast Asian market as the starting point of our international development strategy. With the keen market insight, we will explore and grasp the collaboration opportunities in the industry, and constantly solidify the one-stop platform of “R&D, Manufacturing and Marketing”, to build a mutually beneficial Southeast Asian biopharmaceutical ecosystem. CMS strives to precisely empower quality pharmaceutical products, from Europe, the U.S., Japan and China, to rapidly achieve industrial development in Southeast Asian market.

Achievement is an accumulation of thousands of small steps. The Group will stick to the strategic idea of “openness and innovation”, continue to be pragmatic, agile and perseverant, and gradually develop into a

"innovation-leading and trustworthy specialty pharma". CMS hopes to warm more lives with biotechnologies and novel products, and to reward its employees, shareholders and the society with a sustainable and quality development.

Financial Review

Turnover

Turnover increased by 3.6% from RMB4,447.8 million for the six months ended 30 June 2022 to RMB4,610.1 million for the six months ended 30 June 2023; in the case that all medicines were directly sold by the Group, turnover increased by 7.1% to RMB5,536.6 million for the six months ended 30 June 2023 from RMB5,170.0 million for the six months ended 30 June 2022, mainly due to an increase in sales of products which have not been brought into the Volume Based Procurement ("VBP"), with a decrease in sales of the product Deanxit which is in the seventh batch of the VBP.

Gross Profit and Gross Profit Margin

Gross profit increased by 4.9% from RMB3,436.2 million for the six months ended 30 June 2022 to RMB3,605.9 million for the six months ended 30 June 2023; in the case that all medicines were directly sold by the Group, gross profit increased by 5.7% from RMB3,375.0 million for the six months ended 30 June 2022 to RMB3,567.3 million for the six months ended 30 June 2023, primarily reflecting growth in turnover. For the six months ended 30 June 2023, gross profit margin was 78.2%, representing an increase of 0.9 percentage point from 77.3% for the six months ended 30 June 2022; in the case that all medicines were directly sold by the Group, gross profit margin decreased by 0.9 percentage point to 64.4% for the six months ended 30 June 2023 from 65.3% for the six months ended 30 June 2022, mainly due to a decrease in the selling price of the VBP product Deanxit, and a change in the sales weight of products.

Selling Expenses

Selling expenses increased by 4.8% from RMB1,278.5 million for the six months ended 30 June 2022 to RMB1,339.6 million for the six months ended 30 June 2023. Selling expenses as a percentage of turnover was 29.1% for the six months ended 30 June 2023, representing an increase of 0.4 percentage point from 28.7% for the six months ended 30 June 2022. In the case that all medicines were directly sold by the Group, selling expenses as a percentage of turnover was 23.5% for the six months ended 30 June 2023, same as 23.5% for the six months ended 30 June 2022, primarily reflecting the scale development in business.

Administrative Expenses

Administrative expenses increased by 13.7% from RMB279.7 million for the six months ended 30 June 2022 to RMB318.0 million for the six months ended 30 June 2023. Administrative expenses as a percentage of

turnover for the six months ended 30 June 2023 was 6.9%, representing an increase of 0.6 percentage point from 6.3% for the six months ended 30 June 2022. In the case that all medicines were directly sold by the Group, administrative expenses as a percentage of turnover increased by 0.3 percentage point to 5.7% for the six months ended 30 June 2023 from 5.4% for the six months ended 30 June 2022, mainly due to increases in human cost and maintenance expenses for the development of new businesses.

Research and Development Expenditures

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

Total research and development expenditures increased by 89.6% from RMB126.0 million for the six months ended 30 June 2022 to RMB238.9 million for the six months ended 30 June 2023. Total research and development expenditures as a percentage of turnover for the six months ended 30 June 2023 was 5.2%, representing an increase of 2.4 percentage points from 2.8% for the six months ended 30 June 2022. In the case that all medicines were directly sold by the Group, total research and development expenditures as a percentage of turnover increased by 1.9 percentage points to 4.3% for the six months ended 30 June 2023 from 2.4% for the six months ended 30 June 2022, mainly due to increases in equity investments and product right investments in relation to innovative product pipelines.

Research and development expenses increased by 36.3% from RMB55.6 million for the six months ended 30 June 2022 to RMB75.7 million for the six months ended 30 June 2023. Research and development expenses as a percentage of turnover for the six months ended 30 June 2023 was 1.6%, representing an increase of 0.4 percentage point from 1.2% for the six months ended 30 June 2022. In the case that all medicines were directly sold by the Group, research and development expenses as a percentage of turnover for the six months ended 30 June 2023 was 1.4%, representing an increase of 0.3 percentage point from 1.1% for the six months ended 30 June 2022.

Payments for acquisition of equity investments in research and development companies and payments for acquisition of innovative product rights and expenditures on clinical trial of innovative products (set out in the table below) increased by 131.6% from RMB70.5 million for the six months ended 30 June 2022 to RMB163.2 million for the six months ended 30 June 2023. Such capital payments as a percentage of turnover for the six months ended 30 June 2023 was 3.5%, representing an increase of 1.9 percentage points

from 1.6% for the six months ended 30 June 2022. In the case that all medicines were directly sold by the Group, such capital payments as a percentage of turnover increased by 1.5 percentage points to 2.9% for the six months ended 30 June 2023 from 1.4% for the six months ended 30 June 2022.

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Payment for acquisition of equity investments in research and development companies	58,203	1,440
Payment for acquisition and development of product rights	104,971	69,023
	163,174	70,463

Other Income

Other income increased by 22.9% from RMB108.8 million for the six months ended 30 June 2022 to RMB133.7 million for the six months ended 30 June 2023, mainly reflecting increases in interest income and government subsidies.

Other Gains and Losses

Other gains and losses increased by 61.7% from a gain of RMB60.1 million for the six months ended 30 June 2022 to a gain of RMB97.3 million for the six months ended 30 June 2023, mainly due to an increase in exchange gain.

Share of Result of Associates

Share of result of associates increased by 140.0% from RMB82.4 million for the six months ended 30 June 2022 to RMB197.8 million for the six months ended 30 June 2023, mainly reflecting an increase in profit of the associate Tibet Pharmaceutical.

Finance Costs

Finance costs increased by 17.1% from RMB18.1 million for the six months ended 30 June 2022 to RMB21.2 million for the six months ended 30 June 2023, mainly due to an increase in interest rate on borrowing.

Income Tax Expense

Income tax expense increased by 41.3% from RMB259.4 million for the six months ended 30 June 2022 to RMB366.6 million for the six months ended 30 June 2023, mainly due to an increase in withholding tax

arising on intercompany dividend distribution.

Profit for the Period

Profit for the period increased by 6.7% from RMB1,796.3 million for the six months ended 30 June 2022 to RMB1,916.0 million for the six months ended 30 June 2023, mainly due to the continuous growth in turnover.

Inventories

Inventories increased by 29.2% from RMB477.2 million as at 31 December 2022 to RMB616.4 million as at 30 June 2023. Average inventory turnover days increased by 4 days from 96 days for the six months ended 30 June 2022 to 100 days for the six months ended 30 June 2023, primarily reflecting a volatility of the safe inventory level of the Group.

Trade Receivables

Trade receivables decreased by 6.2% from RMB1,442.0 million as at 31 December 2022 to RMB1,353.2 million as at 30 June 2023. Average trade receivables turnover days decreased by 2 days from 74 days for the six months ended 30 June 2022 to 72 days for the six months ended 30 June 2023, primarily reflecting an improvement on its management.

Trade Payables

Trade payables increased by 37.7% from RMB178.0 million as at 31 December 2022 to RMB245.1 million as at 30 June 2023. Average trade payables days increased by 14 days from 25 days for the six months ended 30 June 2022 to 39 days for the six months ended 30 June 2023, primarily reflecting the difference in time points of settlement with suppliers.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2023, the Group's bank balances and cash amounted to RMB4,451.4 million while readily realizable bank acceptance bills amounted to RMB254.9 million. As at 31 December 2022, our bank balances and cash amounted to RMB4,376.4 million while readily realizable bank acceptance bills amounted to RMB269.6 million.

The Group had bank borrowings of RMB1,281.5 million as at 30 June 2023 (31 December 2022: RMB1,783.3 million). The weighted average interest rate of loans was 2.8% per annum. All the loans were due within one year and then classified as current liabilities.

As at 30 June 2023 and 31 December 2022, the Group had a gearing ratio (being the bank borrowings of the

Group divided by the total assets of the Group) of approximately 7.0% and 10.0%, respectively.

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

Exposure to Fluctuations in Exchange Rates and Interest Rates

The Group is mainly exposed to currency risk of the US$, EUR, GBP, CHF and HK$. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors exchange rate fluctuations and reviews the foreign currency risk management strategy from time to time, and where appropriate, the management will consider hedging its foreign currency exposure. As at 30 June 2023, the Group has entered into certain foreign exchange forward contracts to hedge its foreign currency risk.

The Group will closely monitor the interest rate movements so as to mitigate the expected interest rate risk.

Pledge of Assets

As at 30 June 2023, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 2 February 2023, in order to focus more on its core business, the Group disposed of its subsidiary Hebei Xinglong Xili Pharmaceutical Co., Ltd., which was transferred to a joint venture of the Group at the same date.

Save as disclosed above, there has been no acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the six months ended 30 June 2023.

Loan Agreements with Covenants Relating to Specific Performance of the Controlling Shareholder

On 27 March 2020, Sky United Trading Limited, a wholly-owned subsidiary of the Company (as borrower, the "Borrower") and the Company (as guarantor) entered into a facility agreement (the "SC Facility Agreement") with Standard Chartered Bank (Hong Kong) Limited (as lender) in respect of a US$40,000,000 term loan facility (the "SC Facility") made available to the Borrower for a term of 36 months from the first

utilization date under the SC Facility Agreement. On 26 May 2021, CMS International Development and Management Limited, a wholly-owned subsidiary of the Company (as borrower, the "Borrower") and the Company (as guarantor) entered into a facility agreement (the "DBS Facility Agreement") with DBS Bank (China) Limited (as lender) in respect of a US$50,000,000 term loan facility (the "DBS Facility") made available to the Borrower for a term of 22 months from the first utilization date under the DBS Facility Agreement.

Pursuant to the SC Facility Agreement and DBS Facility Agreement, if, among other things, Mr. Lam Kong, the chairman of the Board, an executive Director and a controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules")) of the Company: (i) ceases to directly or indirectly own more than 30% of the total issued shares (of each class) in the Company; or (ii) ceases to directly or indirectly be the single largest shareholder in the issued shares (of each class) in the Company, the lender may, by not less than 30 days' notice in advance to the Borrower, cancel all commitments under the SC Facility and DBS Facility, respectively, and declare that all outstanding loans together with accrued interest and all other amounts accrued under the SC Facility and DBS Facility, respectively, will become immediately due and payable. As at 30 June 2023, Mr. Lam Kong (directly and indirectly) held approximately 46.39% of the total issued ordinary share capital of the Company.

The SC Facility and the DBS Facility were paid off during the six months ended 30 June 2023.

OTHER INFORMATION

Share Option Scheme

The Company has not implemented a share option scheme. As at 30 June 2023, there were no outstanding share options of the Company.

Interim Dividend

The Board has resolved to pay an interim dividend of RMB0.3134 (equivalent to HKD0.342) per ordinary share of the Company for the six months ended 30 June 2023 to the shareholders whose names appear on the register of members of the Company after market closes on Wednesday, 13 September 2023 (the "Record Date"). Payment of such interim dividend is expected to be made to the shareholders on about Wednesday, 20 September 2023.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 13 September 2023, on which the registration of transfer of shares of the Company ("Shares") will be suspended. To qualify for the interim dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 September 2023.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee

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

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

The Company's interim result announcement and interim report for the six months ended 30 June 2023 have been reviewed by the Audit Committee of the Company and approved by the Board with recommendation of the Audit Committee.

Corporate Governance Practices

During the Reporting Period, the Company has complied with the applicable principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for a deviation from Code Provision C.2.1 in respect of the roles of Chairman and Chief Executive which shall not be performed by the same individual.

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

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

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

Directors' Securities Transactions

The Company has adopted the Written Guidelines for Securities Transactions by Directors and Relevant Employees (the "Written Guidelines") on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct for Directors' securities transactions. Having made specific inquiries in relation to the compliance with the Written Guidelines for securities transactions by Directors, the Company confirmed that all the Directors have complied with the relevant standards for securities transactions by Directors set out in the Written Guidelines during the Reporting Period. The Written Guidelines also apply to other specified senior management of the Company.

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

Disclosure of Information

The information provided in this announcement is only the summary of 2023 interim report of the Company. The 2023 interim report of the Company will be duly dispatched to shareholders of the Company and published on websites of the SEHK (www.hkexnews.hk) and the Company (www.cms.net.cn).

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

Hong Kong, 28 August 2023

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