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Corporate Information

Board of Directors

Executive Directors

CAI Dongchen (*Chairman*)

ZHANG Cuilong (*Vice-Chairman and CEO*)

WANG Zhenguo

PAN Weidong

WANG Huaiyu

LI Chunlei

WANG Qingxi

CHAK Kin Man

JIANG Hao

Independent Non-executive Directors

WANG Bo

CHEN Chuan

WANG Hongguang

AU Chun Kwok Alan

LAW Cheuk Kin Stephen

LI Quan

Audit Committee

AU Chun Kwok Alan (*Chairman*)

WANG Bo

CHEN Chuan

Nomination Committee

CAI Dongchen (*Chairman*)

WANG Bo

CHEN Chuan

Remuneration Committee

AU Chun Kwok Alan (*Chairman*)

WANG Bo

CHEN Chuan

Company Secretary

LO Tai On

Registered Office

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32nd Floor

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Wan Chai

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Share Registrar

Tricor Secretaries Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Auditor

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

Stock Exchange

The Stock Exchange of Hong Kong Limited

Stock Code

1093

Website

www.cspc.com.hk



Financial Highlights

	Six months ended 30 June		
	2023	2022	Change
<i>(in RMB'000, unless otherwise stated)</i>			
Revenue by business units:			
Finished drugs	12,933,714	12,292,908	+5.2%
Bulk products	1,969,817	2,180,074	-9.6%
Functional food and others	1,176,881	1,137,044	+3.5%
Total revenue	16,080,412	15,610,026	+3.0%
Profit attributable to shareholders			
As reported	2,966,987	2,966,205	+0.0%
Underlying profit <i>(Note)</i>	3,161,861	3,068,763	+3.0%
Earnings per share <i>(RMB cents)</i>			
Basic	24.95	24.89	+0.2%
Diluted	24.95	24.89	+0.2%
Interim dividend per share <i>(HK cents)</i>	14.00	10.00	40.0%

Note: Underlying profit attributable to shareholders, a non-HKFRS measure, represents profit before taking into account fair value loss on financial assets measured at fair value through profit or loss and employee share-based compensation expense. Reconciliation between the reported and underlying profit is provided on pages 17 to 18.



Management Discussion and Analysis

Results for the First Half of 2023

Revenue amounted to RMB16,080 million, an increase of 3.0% compared with the same period in 2022.

Underlying profit attributable to shareholders amounted to RMB3,162 million, an increase of 3.0% compared with the same period in 2022.

Profit attributable to shareholders amounted to RMB2,967 million, which remained at the same level as that of the same period in 2022.

Dividend

The Board has declared an interim dividend of HK14 cents per share for 2023 (2022: HK10 cents) to be paid on 12 October 2023 to shareholders whose names appear on the register of members of the Company on 12 September 2023.

Corporate Overview

The Group is an innovation-driven pharmaceutical enterprise with integrated research and development (R&D), manufacture and sales capabilities. With the corporate mission of “All for Better Medicines, All for a Healthier World”, the Group is committed to developing innovative products to address unmet clinical needs and provide innovative therapies for patients.

The Group has established a number of R&D centres in Shijiazhuang, Shanghai, Beijing and the US, with an R&D team with more than 2,000 members. Through continuous investment, the Group has established various R&D technology platforms, encompassing nano-formulation, long-acting injection formulation, monoclonal antibody, bispecific antibody, antibody-drug conjugate (ADC), mRNA, siRNA, PROTAC and AI-based drug design, providing strong support for the research and development of innovative drugs.

Currently, the Group's R&D focuses on the therapeutic areas of oncology, psychiatry and neurology, cardiovascular, immunology and respiratory, digestion and metabolism, and anti-infectives. The Group's nanotechnology platform has developed a number of core delivery technologies encompassing liposomes, albumin-bound nanoparticles, polymeric micelles, nanocrystals, lipid nanoparticle (LNP) and lipid cochleate, with a pipeline layout occupying a leading position in the international arena. For large molecule drugs, the focus is on the development of multifunctional proteins and antibody drugs, such as bispecific, trispecific and novel ADC drugs. For small molecule drugs, the focus is on the development of PROTAC, LYTAC and AI-based screening platforms to develop small molecule targeted drugs with multiple functions such as anti-tumor and immune modulation, and small molecule drugs based on epigenetics. The Group's mRNA technology platform has successfully developed the first and currently the only SARS-CoV-2 mRNA vaccine included for emergency use in China. We are currently actively developing new generation vaccines against mutant strains to deal with possible pandemic outbreak caused by the continuous mutating coronavirus. Leveraging the mRNA technology, the Group will develop other preventive and therapeutic vaccines for infectious diseases, respiratory viruses and tumors. For the mRNA and drug delivery technology platforms, the Group is also conducting development of protein replacement therapy, genome editing products and in vivo cell reprogramming technology such as CAR-T and CAR-M in vivo. The siRNA technology platform will focus on chronic and metabolic diseases such as hyperlipidemia, hypertension and gout.

Management Discussion and Analysis

The Group has strong commercialisation capabilities. Its professional sales force currently has over 10,000 members, with extensive coverage in medical institutions across the country. We are also actively stepping up our efforts in lower-tier market penetration and developing the county-level markets to provide quality drugs to the grass roots. In addition, the Group has been actively strengthening the retail sales and internet medicine platforms, and exploring the promotion model for chronic disease management. Through patient-centric and clinical-value driven academic promotion, the Group's sales team has successfully nurtured a number of market-leading core products. Leveraging the strong sales team and successful commercialisation experience, the Group will be able to ensure the rapid sales ramp-up and sales performance of innovative drugs to be commercially launched in the future.

Business Review

1. Finished Drug Business

In the first half of 2023, the finished drug business maintained stable growth. The Group continued to adopt the strategies of hospital development, lower-tier market penetration, retail channel expansion and professional academic promotion to drive the growth of key finished drug products. In addition, the continuous commercial launch of new products also brought in new growth drivers and a more balanced product portfolio to the Group.

The finished drug business recorded a revenue of RMB12,934 million (including license fee income of RMB35 million) in the first half of 2023, an increase of 5.2%. Sales by major therapeutic areas are as follows:

Therapeutic Area	Sales <i>(RMB' million)</i>	Change
Nervous system	4,553	+17.5%
Oncology	2,988	-26.0%
Anti-infectives	2,143	+22.3%
Cardiovascular	1,287	-15.3%
Respiratory system	874	+219.2%
Digestion and metabolism	416	+15.1%
Others	638	+33.9%

Nervous System

Major products include NBP (恩必普[®]) (butylphthalide soft capsules, butylphthalide and sodium chloride injection), Shuanling (舒安灵[®]) (pentoxifylline extended-release tablets, pentoxifylline injection), Oulaining (歐來寧[®]) (oxiracetam capsules, oxiracetam for injection), Enxi (恩悉[®]) (pramipexole dihydrochloride tablets), Enliwei (恩理維[®]) (lacosamide injection, lacosamide tablets) and Oushuan (歐舒安[®]) (paliperidone extended-release tablets).

- NBP is a Class 1 new chemical drug in China and a patent-protected exclusive product indicated for the treatment of acute ischemic stroke. The new NRDL renewal price implemented in March 2023 has further improved the accessibility of the injection formulation. During the period, through the continuous efforts in exploring the county-level hospital market and retail channels, the product delivered a stable growth.
- Shuanling is a non-selective phosphodiesterase inhibitor that can comprehensively improve microcirculation through multiple mechanisms of action. During the period, in addition to neurology and endocrine, we further developed the nephrology field, with sales continuing to achieve rapid growth.
- Enxi, which is used for the treatment of the signs and symptoms of adult idiopathic Parkinson's disease, is a selected product in the centralised procurement. During the period, the market coverage was further expanded by penetrating the lower-tier market and expanding retail channels.
- Enliwei, an anti-epileptic drug, was included in the NRDL through price negotiation in March 2023. Through the strategy of low price in exchange for volume, sales achieved rapid growth.
- Oushuan, a new product for the treatment of schizophrenia launched in 2023, has the lowest daily treatment cost among the paliperidone products at present.

Oncology

Major products include Duomeisu (多美素[®]) (doxorubicin hydrochloride liposome injection), Jinyouli (津優力[®]) (PEG-rhG-CSF injection) and Keaili (克艾力[®]) (paclitaxel for injection (albumin-bound)), as well as new products launched in recent years including Duoenda (多恩達[®]) (mitoxantrone hydrochloride liposome injection), Copiktra (克必妥[®]) (duvelisib capsules) and Geruite (戈瑞特[®]) (lenvatinib mesilate capsules).

- Duomeisu is a product developed by the National Key Laboratory for New Pharmaceutical Preparations and Excipients of the Group and supported by the Major New Drug Development project in China. It is recommended by the US National Comprehensive Cancer Network (NCCN) Guidelines and the Chinese Society of Clinical Oncology (CSCO) for the first-line treatment of lymphoma, ovarian cancer, relapsed or metastatic breast cancer, soft tissue sarcoma and AIDS-related Kaposi's sarcoma. Duomeisu is a leading brand of liposomal doxorubicin in China. During the period, the Group further expanded the broad market of prefecture-level cities and counties to drive the sustainable growth of the product.



Management Discussion and Analysis

- Jinyouli is the first long-acting white blood cell booster drug developed in China. It is used to prevent incidence of infection and pyrexia due to low neutrophil count in patients receiving chemotherapy. The current marketing efforts focus on promoting the long-acting formulation, expanding the coverage in core hospitals in prefecture-level cities, lower-tier market penetration and driving sales ramp-up in centralised procurement regions in order to maintain the sustainable growth of the product. With the implementation of results of the Guangdong Alliance centralised procurement during the period, sales volume of the product in six provinces including Guangdong and Henan achieved a rapid growth.
- Keaili is a new generation paclitaxel chemotherapy drug with recommendation in domestic and foreign guidelines and expert consensus for breast cancer, lung cancer, gastric cancer and gynaecological tumours. Keaili completed the contract renewal in the Henan Alliance centralised procurement in 2022. Thereafter, the new centralised procurement price has been progressively adopted in other provinces, imposing significant pressure on product sales and resulting in a significant decline in sales. The Group will continue to promote the replacement of conventional paclitaxel drugs, enhance lower-tier market penetration, and expand usage in more tumor types in order to increase market share.
- Duoenda, a Class 2 new drug developed by the Group, is the world's first mitoxantrone nanodrug on the market with patents in several countries. The product was launched in January 2022 for the treatment of relapsed/refractory peripheral T-cell lymphoma. It was included into the CSCO Guidelines for Lymphoma in April 2022 which recommends its usage for the treatment of relapsed/refractory peripheral T-cell lymphoma (Grade 2A) and NKT cell lymphoma (Grade 2B). Since commercial launch, through professional academic promotion and continuous strengthening of medical evidence, the product has received good market response. At present, this product is also actively exploring and studying the field of hematological tumors including T-cell lymphoma, diffuse large B-cell lymphoma, acute myeloid leukemia and multiple myeloma, and solid tumors including nasopharyngeal cancer.
- Copiktra is the first approved dual PI3K δ/γ dual-target inhibitor in China. It achieves a balance between efficacy and safety by specifically acting on the δ and γ dual targets of PI3K signaling pathway, with recommendation by many domestic and foreign guidelines. At present, the Group is actively putting efforts on the academic promotion of the product.

Anti-infective products

Major products include Anfulike (安複利克[®]) (amphotericin B cholesteryl sulfate complex for injection), Shuluoke (舒羅克[®]) (meropenem for injection), Nuomoling (諾莫靈[®]) (amoxicillin capsules), Xianqu/Shiyao (先曲[®]/石藥[®]) (ceftriaxone sodium for injection), Weihong (維宏[®]) (azithromycin capsules, azithromycin for injection), and Zhongnuo Lixin (中諾立新[®]) (cefuroxime sodium for injection).

- Anfulike is recommended jointly by the State Ministry of Industry and Health Care Commission as a “clinically urgent, market-deficient” product. It was granted drug registration approval with priority review in March 2021 for the treatment of patients with invasive fungal infections. With modification of the product's lipid structure, the metabolism and distribution characteristics of amphotericin B have been altered to reduce the incidence of nephrotoxicity and hypokalaemia. It can be used for the treatment of patients with renal impairment or drug toxicity which precludes the use of effective dose of amphotericin B, or patients who have failed in prior conventional amphotericin B deoxycholate treatment. The drug accessibility of Anfulike has been improved with its inclusion into the NRDL through negotiation in December 2021. During the period, the Group continued to conduct academic promotion to enhance the knowledge of the clinical benefits of the product among doctors, and expanded the clinical application in haematology, infection and respiratory departments to achieve a rapid sales growth.
- Several anti-infective products, including Nomoling and Weihong, have been selected in the national or provincial alliance centralized procurements, with sales growth accelerated.

Cardiovascular

Major products include Xuanning (玄寧[®]) (levamlodipine maleate tablets and dispersible tablets), Mingfule (銘復樂[®]) (recombinant human TNK tissue-type plasminogen activator for injection), Encun (恩存[®]) (clopidogrel bisulfate tablets), Daxinning (達新寧[®]) (dronedarone hydrochloride tablets) and Yishuning (意舒寧[®]) (nifedipine controlled-release tablets).

- Xuanning is mainly used for the treatment of hypertension, chronic stable angina and variant angina, and is a product in the NRDL and essential drug list. Following the inclusion of levamlodipine in the eighth batch of national centralised procurement in 2023, the sales of Xuanning have been affected to certain extent. Leveraging the leading brand name, the Group will adopt the all-channel promotion strategy, step up efforts in lower-tier and private markets expansion and promote online sales channel in order to maintain stable sales.

Management Discussion and Analysis

- Mingfule is a third-generation thrombolytic drug with proprietary intellectual property mainly used for the thrombolysis treatment in patients with acute myocardial infarction. It has been listed as a recommended thrombolytic drug in the Chinese Expert Consensus on Pre-hospital Thrombolysis, Guidelines for Rational Use of Drugs for STEMI (201902) and other authoritative guidelines. The Chinese Expert Consensus on Tenecteplase Intravenous Thrombolytic Therapy for Acute Ischemic Stroke published in December 2022 provides a basis for the clinical promotion of TNK as a thrombolytic drug. Moreover, the new indication application for marketing approval of Mingfule for the thrombolytic treatment in patients with acute ischemic stroke has been submitted at the end of 2022. The approval of this indication will greatly expand the market potential of the product. During the period, the Group focused on the development of hospitals with thrombolytic capability to accelerate the market coverage, achieving a rapid sales growth.
- Yishuning is mainly used for the treatment of hypertension, chronic and stable angina pectoris and variant angina pectoris, and is a product in the NRDL and essential drug list. The product was selected in the seventh batch of national centralised procurement in July 2022 for supply to Henan, Hebei and Heilongjiang provinces, achieving rapid sales ramp-up during the period.

Respiratory

Major products include Yiluoda (伊絡達®) (nintedanib capsules), Qixin (琦昕®) (oseltamivir phosphate capsules), Qixiao (琦效®) (arbidol hydrochloride tablets), Nuoyian (諾一安®) (montelukast sodium tablets/chewable tablets), Zhongnuo Like (中諾立克®) (ambroxol hydrochloride oral solution) and Zhongnuoping (中諾平®) (ambroxol hydrochloride extended-release tablets).

- Yiluoda is the first-to-market generic nintedanib drug in China, which is indicated for the treatment of systemic sclerosis-associated interstitial lung disease (SSc-ILD) and progressive fibrosing interstitial lung diseases (PF-ILD). Since market launch in 2022, the product achieved continuous rapid sales growth.
- Qixin is the preferred drug for the prevention and treatment of influenza, and a product in the NRDL and essential drug list. The product was selected in the seventh batch of national centralised procurement in July 2022, with strong sales growth achieved during the period.
- Benefiting from effective marketing strategies and strong market demand, Qixiao and Nuoyian achieved rapid sales growth during the period.

Digestion and metabolism

Major products include Debixin (得必欣®) (omeprazole enteric capsules), Linmeixin (林美欣®) (glimepiride dispersible tablets), Shuanglexin (雙樂欣®) (metformin hydrochloride tablets/extended-release tablets) and Xinweiping (欣維平®) (acarbose tablets).

Other therapeutic areas

Major products include Gubang (固邦®) (alendronate sodium tablets/enteric tablets), Xianpai (先派®) (omeprazole sodium for injection) and Qimaite (奇邁特®) (tramadol hydrochloride tablets).



Management Discussion and Analysis

2. Bulk Product Business

In the first half of 2023, the bulk product business recorded sales of RMB1,970 million, a decrease of 9.6%.

- Sales of vitamin C product was RMB1,040 million, a decrease of 25.7%. The price of vitamin C product remained at a low level during the period, resulting in a decline in both sales and operating profit as compared with the same period last year.
- Driven by the increase in sales volume, sales of antibiotic products increased by 19.1% to RMB930 million for the period.

3. Functional Food and Others Business

In the first half of 2023, functional food and others business recorded sales of RMB1,177 million, an increase of 3.5%. During the period, there was certain decline in the prices of caffeine products. However, both production and sales volume continued to increase, further increasing the global market share.

4. SARS-CoV-2 mRNA Vaccine

In March 2023, the SARS-CoV-2 mRNA vaccine (brand name: Duentai (度恩泰)) containing BA.5 key mutations independently developed by the Group has been included for emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2. The vaccine, which adopts advanced technology with proprietary intellectual property rights, has the advantages of greater production capacity, better process reproducibility, easy-to-scale-up and large-scale production. It also has good quality consistency and stability, and can be stored at 2-8°C for a long time. The Work Plan for Vaccination against Recent Covid-19 Infection issued by the Joint Prevention and Control Mechanism of the State Council on 10 April specifies that the focus of vaccination at this stage is to fill the gap of immunity level among different target groups and further reduce the risk of severe illness and death, and recommends the Group's SARS-CoV-2 mRNA vaccine as a priority for use as a booster for population aged 18 years or above. On 13 May, the first dose of Duentai was administered at a community healthcare center in Shijiazhuang, the capital of Hebei Province, marking the launch of the nationwide promotion of SARS-CoV-2 mRNA vaccination.

The Group will also continue to promote the research and development of new generation SARS-CoV-2 mRNA vaccines against mutant strains to deal with the threat posed by the continuous mutation of the viruses on people's life and health.

5. Research and Development

The Group strongly believes that innovative research and development is the most important driver for future development and continues to increase its investment in R&D. R&D expenses for the first half of 2023 amounted to RMB2,304 million (charged to income statement), an increase of 22.3%, accounting for approximately 17.8% of the revenue of the finished drug business. Currently, approximately 60 key drug candidates have entered clinical trial or registration stage, of which 8 have filed marketing approval application, 16 have entered pivotal clinical trial or about to file marketing approval application.



Management Discussion and Analysis

Regulatory Updates:

China

- In March 2023, the SARS-CoV-2 mRNA vaccine (brand name: Duentai) containing BA.5 key mutations independently developed by the Group has been included for emergency use in China for the prevention of COVID-19 caused by the infection of SARS-CoV-2.
- In March 2023, application for marketing approval of Enlonstobart for Injection (recombinant fully human anti-PD-1 monoclonal antibody) (SG001) for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 expression who have failed at least first-line platinum-based chemotherapy was officially accepted with eligibility for conditional approval pathway.
- In March 2023, application for marketing approval of Amphotericin B Liposome for Injection for the treatment of invasive fungal infection was officially accepted.
- In April 2023, the application for marketing approval of Prusogliptin Tablets (DBPR108) for the treatment of type 2 diabetes was officially accepted.
- In June 2023, the biologic license application of Omalizumab for Injection for the treatment of chronic spontaneous urticaria was officially accepted.
- In June 2023, the biologic license application of Batoclimab (HBM9161) for the treatment of generalised myasthenia gravis (gMG) was officially accepted.
- Since the beginning of 2023, 8 innovative drugs candidates have obtained clinical trial approval for their first indication and 10 additional indications have obtained clinical trial approval:

First Indication

Drug candidate	Indication
SYH2045 (PRMT5 inhibitor)	Advanced malignant tumors
Meloxicam nanocrystal injection	Moderate to severe pain in adults
Clevidipine injectable emulsion	Hypertension
Octreotide long-acting injection	Acromegaly
NBL-020 (TNFR2 monoclonal antibody)	Advanced solid tumors
SYS6010 (ADC)	Advanced solid tumors
SYH2051 (ATM inhibitor)	Solid tumors
JMT203 (GFRAL monoclonal antibody)	Tumor cachexia

Management Discussion and Analysis

Additional Indication

Drug candidate	Indication
KN026 for injection	In combination with docetaxel (albumin-bound) for the treatment of first-line HER2 positive recurrent and metastatic breast cancer
Docetaxel for injection (albumin-bound)	In combination with SG001 (PD-1) for the perioperative treatment of non-small cell lung cancer
Docetaxel for injection (albumin-bound)	In combination with SG001 (PD-1) and cisplatin with concomitant radiotherapy for the treatment of locally advanced esophageal cancer
Docetaxel for injection (albumin-bound)	In combination with cisplatin with concomitant radiotherapy for the treatment of locally advanced unresectable non-small cell lung cancer
Docetaxel for injection (albumin-bound)	Neoadjuvant therapy for luminal breast cancer
SYH2055 tablets	Prevention of COVID-19
Enlonstobart for injection (SG001) (PD-1)	In combination with chemotherapy for first-line cervical cancer
CM326	Chronic obstructive pulmonary disease
Paclitaxel cationic liposome for injection	Arterial perfusion therapy in patients with advanced solid tumors who failed standard treatment
Simmitinib	In combination with SG001 (PD-1) for the treatment of solid tumors

- Since the beginning of 2023, 6 generic drugs have obtained drug registration approvals, including Apremilast Tablets, Mirabegron Extended-release Tablets, Paliperidone Extended-release Tablets, Tedizolid Phosphate for Injection, Rabeprazole Sodium Enteric-coated Tablets and Desvenlafaxine Succinate Extended-release Tablets.

North America

- In April 2023, antibody-drug conjugate CPO301 obtained clinical trial approval in the US.
- In June 2023, antibody-drug conjugate CPO301 was granted fast track designation in the US.
- In June 2023, antibody-drug conjugate CPO301 obtained clinical trial approval in Canada.

Major Clinical Trials Progress:

- In February 2023, the study results of Mingfule (recombinant human TNK tissue-type plasminogen activator for injection, rhTNK-tPA) in a Phase III clinical trial study (TRACE-2) for the treatment of acute ischemic stroke were published in *The Lancet* (IF: 202.731), an international medical journal, demonstrating that Mingfule is non-inferior to alteplase in efficacy and the safety profile is similar to alteplase.
- In March 2023, the first patient was dosed in a phase III clinical trial of Duoenda (mitoxantrone hydrochloride liposome injection) in China for the treatment of patients with recurrent metastatic nasopharyngeal carcinoma who have failed platinum-based therapy.
- In March 2023, a phase III therapeutic bioequivalence study of Omalizumab for Injection (SYSA1903) in comparison to the originator drug for the treatment of patients with chronic spontaneous urticaria who remain symptomatic despite H1 antihistamine treatment met its predefined endpoint.
- In March 2023, a randomized, double-blind, placebo-controlled Phase II/III clinical study on the efficacy and safety of CM310 (IL-4R α antibody) for the treatment of moderate to severe asthma was launched.
- In March 2023, a randomized, double-blind, placebo-controlled Phase II clinical study on the efficacy and safety of CM326 (TSLP antibody) for the treatment of moderate to severe asthma was launched.
- In June 2023, the clinical data of ALMB-0168 (Cx43 hemichannel antibody agonist) for the treatment of osteosarcoma was announced at the 2023 ASCO annual meeting. Preliminary results indicate that ALMB-0168 demonstrates encouraging efficacy and tolerable safety in patients with metastatic or unresectable osteosarcoma after receiving standard chemotherapy in a Phase I dose-escalation trial.
- In June 2023, the Phase I clinical results of SYSA1801 (CLDN18.2 ADC) for the treatment of advanced malignant solid tumors with CLDN18.2 expression were presented at the 2023 ASCO annual meeting. Preliminary results indicate that SYSA1801 demonstrates promising anti-tumor efficacy in treating advanced malignant solid tumors with CLDN18.2 expression, especially in gastric cancer.

Management Discussion and Analysis

Clinical Pipeline Overview:

Registration and Pivotal Trial Stage

Drug candidate	Type	Target	Indication	Status
Narlumosbart for injection (JMT103)	Biological drug (monoclonal antibody)	RANKL	Giant cell tumor of bone	BLA
Irinotecan liposome for injection	Nanodrug	DNA topoisomerase inhibitors	Pancreatic cancer	NDA
Mingfule (recombinant human TNK tissue-type plasminogen activator for injection)	Biological drug (recombinant protein)	Plasminogen	Acute ischemic stroke	BLA
Amphotericin B liposome for injection	Nanodrug	Anti-infective, nonspecific drug	Invasive fungal infection	NDA
Enlonstobart (SG001)	Biological drug (monoclonal antibody)	PD-1	Cervical cancer	BLA
Prusogliptin tablets (DBPR108)	Chemical drug	DPP-4 inhibitor	Diabetes	NDA
Omalizumab monoclonal antibody for injection (SYSA1903)	Biological drug (monoclonal antibody)	IgE	Urticaria	BLA
Batoclimab (HBM9161)	Biological drug (monoclonal antibody)	FcRn	Myasthenia gravis	BLA
Recombinant humanized anti-epidermal growth factor receptor monoclonal antibody for injection (JMT101)	Biological drug (monoclonal antibody)	EGFR	EGFR exon 20 insertion mutation in non-small cell lung cancer	Pivotal trial
KN026 for injection	Biological drug (bispecific antibody)	HER2 bispecific antibody	Gastric cancer	Pivotal trial
Recombinant humanized anti-HER2 monoclonal antibody-MMAE conjugate for injection (DP303c) (SYSA1501)	Biological drug (ADC)	HER2 ADC	Breast cancer	Pivotal trial
Pertuzumab for injection (SYSA1901)	Biological drug (monoclonal antibody)	HER2	HER2 positive breast cancer	Pivotal trial
TG103 injection	Biological drug (fusion protein)	GLP1-Fc	Weight loss	Pivotal trial
CM310 injection	Biological drug (monoclonal antibody)	IL-4R α	Asthma	Pivotal trial
Ustekinumab injection (SYSA1902)	Biological drug (monoclonal antibody)	IL-12, IL-23	Moderate to severe psoriasis	Pivotal trial
SKLB1028 capsules	Chemical drug	FLT3, Abl, Lyn, EGFR	Acute myeloid leukaemia	Pivotal trial
HA121-28 tablets	Chemical drug	RET, EGFR, VEGFR, FGFR	Non-small cell lung cancer with RET gene fusion mutation	Pivotal trial



Management Discussion and Analysis

Drug candidate	Type	Target	Indication	Status
SYH2055 tablets	Chemical drug	3CL protease inhibitor	High risk COVID-19	Pivotal trial
Paclitaxel for injection (albumin-bound) (II)	Nanodrug	Microtubule inhibitor	Breast cancer	Pivotal trial
Daunorubicin cytarabine liposome for injection	Nanodrug	RNA polymerase inhibitor DNA polymerase inhibitor	Leukemia	Pivotal trial
Docetaxel for injection (albumin-bound)	Nanodrug	Microtubule inhibitor	Pancreatic cancer, head and neck squamous cell carcinoma	Pivotal trial
Meloxicam nanocrystal injection	Nanodrug	COX-2	Pain	Pivotal trial
Clevidipine injectable emulsion	Nanodrug	Calcium channel blocker	Hypertension	Pivotal trial
Butylphthalide soft capsules	Chemical drug		Vascular dementia	Pivotal trial

Products in other clinical stage

Drug candidate	Type	Therapeutic Area
Ammuxetine hydrochloride enteric tablets	Chemical drug	Psychiatry
Butylphthalide soft capsules (China and US)	Chemical drug	Neurology
Simmitinib hydrochloride tablets, SYHA1801 capsules, SYHA1803 capsules, SYHA1807 capsules, SYHA1811 tablets, SYHA1813 oral liquid, SYHA1815 tablets, SYHX1903 tablets, SYHX2001 tablets, SYHX2005 tablets, SYHX2009 tablets, SYHX2043 tablets, SYHX2045 tablets, SYH2051 tablets	Chemical drug	Oncology
SYHA1402 tablets, SYHA1805 tablets	Chemical drug	Metabolism
SYHX1901 tablets	Chemical drug	Immunity
Octreotide long-acting injection	Chemical drug	Endocrine
JMT601 for injection (China and US)	Biological drug (bispecific antibody)	Oncology
SYS6002 for injection, SYSA1801 for injection (China and US)	Biological drug (ADC)	Oncology
ALMB0168 for injection, NBL-015 for injection (China and US), NBL-020 for injection (China and US), JMT203 SYS6010 (ADC) (China and US)	Biological drug (monoclonal antibody)	Oncology
ALMB0166 for injection	Biological drug (monoclonal antibody)	Central nervous system
CM326 for injection, NBL-012 for injection (China and US)	Biological drug (monoclonal antibody)	Immunity
Paclitaxel cationic liposome for injection, sirolimus for injection (albumin-bound), SYHA1908 for injection, cisplatin micelle injection	Nanodrug	Oncology
Prostaglandin liposome for injection	Nanodrug	Cardiovascular



Management Discussion and Analysis

Patents:

- In the first half of 2023, 14 international PCT applications and 122 patent applications (66 domestic and 56 overseas) have been filed, and 30 patents (14 domestic and 16 overseas) have been granted.

The Group is expected to launch more than 40 innovative and new-formulation drugs, and over 60 generic drugs within the next five years. Of which, mitoxantrone liposomes, docetaxel albumin nanoparticles, sirolimus albumin nanoparticles, cisplatin micelle, and paclitaxel albumin nanoparticles (fast-dissolving) developed based on the nanotechnology platform, the ultra-long-acting GLP1-IgD/IgG4 Fc fusion protein in the field of metabolism, the world's new CX43 inhibiting and antagonizing antibody, the new ADC and ISAC based on enzymatic site-specific conjugation, the CD20/CD47 bispecific antibodies based on novel asymmetric structure, the mRNA vaccine which offers protection against Covid-19 variants and small nucleic acid drugs (dosed semi-annually) are all heavyweight products with global patents and great market value. The launch of these new products will provide strong support to the Group's high-quality growth in the future.

6. Business Development

- In January 2023, the Group entered into an exclusive license agreement with Corbus Pharmaceuticals, Inc. in the US to out-license the development and commercialization rights of the Group's SYS6002 (Nectin-4 ADC) in the US, EU countries, UK, Canada, Australia, Iceland, Liechtenstein, Norway and Switzerland. The Group will receive upfront payments of US\$7.5 million and is also entitled to receive up to US\$130 million in potential development and regulatory milestone payments and up to US\$555 million in potential sales milestone payments, as well as tiered sales royalties.
- In June 2023, the Group and Pfizer signed a strategic partnership agreement to launch a local brand of the COVID-19 oral antiviral therapeutic treatment Nirmatrelvir/Ritonavir in China, jointly aiming to improve access of this treatment to Chinese patients.

Financial Review

Financial Results

Revenue and Gross Profit Margin

Revenue for the first half of 2023 amounted to RMB16,080 million, an increase of 3.0% compared to RMB15,610 million in the first half of 2022. The increase was mainly due to the growth in the finished drug business. Gross profit margin for the period decreased by 2.7 percentage point to 69.9%, which was mainly attributable to the change in revenue mix and decline in selling prices of vitamin C products.

Other Income

Other income for the first half of 2023 amounted to RMB249 million (first half of 2022: RMB233 million), mainly consisting of interest income on bank deposits and balances of RMB125 million (first half of 2022: RMB98 million) and government grant income of RMB60 million (first half of 2022: RMB65 million).

Management Discussion and Analysis

Other gains and losses

A net gain of RMB20 million was reported in the first half of 2023 (first half of 2022: net gain of RMB50 million), mainly consisting of fair value loss on financial assets measured at FVTPL of RMB91 million (first half of 2022: loss of RMB34 million) and net foreign exchange gain of RMB85 million (first half of 2022: gain of RMB52 million).

Operating Expenses

Selling and distribution expenses for the first half of 2023 amounted to RMB4,902 million, a decrease of 9.4% compared to RMB5,410 million in the first half of 2022. During the period, the Group continued to expand its market coverage and actively promote the newly launched finished drug products. With enhanced efficiency of marketing activities, a lower expense ratio was achieved.

Administrative expenses for the first half of 2023 amounted to RMB536 million, a decrease of 5.2% compared to RMB565 million in the first half of 2022. The decrease was mainly due to the efforts on control of expenses during the period.

R&D expenses for the first half of 2023 amounted to RMB2,304 million, an increase of 22.3% compared to RMB1,884 million in the first half of 2022. The increase was primarily attributable to the increased spending on ongoing and newly initiated clinical trials.

Income tax expense

Income tax expenses for the first half of 2023 amounted to RMB624 million (first half of 2022: RMB692 million), which represented provision of income tax expense based on the taxable income of the subsidiaries and PRC withholding tax on dividend distributions by the subsidiaries.

Non-HKFRS Measure

For the purpose of assessing the performance of the Group, the Company has also presented the underlying profit attributable to shareholders as an additional financial measure, which is not required by, or presented in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”). The Group believes that this non-HKFRS financial measure better reflects the underlying operational performance of the Group by eliminating certain non-operating items which the Group does not consider indicative of the Group’s operational performance. However, the presentation of this non-HKFRS financial measure is not intended to be a substitute for, or superior to, the financial information prepared and presented in accordance with HKFRS.

Management Discussion and Analysis

Additional information is provided below to reconcile the profit attributable to shareholders as reported and the underlying profit attributable to shareholders.

	Six months ended 30 June	
	2023 (RMB'000)	2022 <i>(RMB'000)</i>
Profit attributable to shareholders	2,966,987	2,966,205
Adjustment for:		
– Fair value loss on financial assets measured at FVTPL (<i>note a</i>)	90,824	33,517
– Employee share-based compensation expense (<i>note b</i>)	109,536	71,866
– Effect of corresponding income tax	(5,486)	(2,825)
Underlying profit attributable to shareholders	3,161,861	3,068,763

Notes:

- (a) Fair value loss on financial assets measured at FVTPL is arisen from the measurement of the Group's investments in certain partnerships, funds and listed equity securities at fair value.
- (b) Out of the total employee share-based compensation expense recognised in the current period, RMB94,251,000 (first half of 2022: RMB63,586,000) was in respect of share awards granted to selected employees of the Group by Key Honesty Limited, a shareholder of the Company.

Liquidity and Financial Position

For the first half of 2023, the Group's operating activities generated a cash inflow of RMB1,320 million (first half of 2022: RMB4,257 million). Turnover days of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) were 58 days, higher than 44 days in 2022. This is mainly due to the slower settlement by customers during the period, but which was still within the normal credit period. The Group will strengthen the control and management in this aspect. Turnover days of inventories (ratio of balance of inventories to cost of sales) was 103 days, slightly lower than 107 days in 2022. Current ratio was 2.7 as of 30 June 2023, same as the level half year ago. Capital expenditure for the period amounted to RMB908 million, which were mainly spent to construct production facilities and improve production efficiency.

The Group's financial position remained solid. As of 30 June 2023, the Group had bank deposits, balances and cash of RMB11,205 million (31 December 2022: RMB10,498 million), structured bank deposits of RMB1,625 million (31 December 2022: RMB3,575 million) and bank borrowings of RMB75 million (31 December 2022: RMB182 million). As of 30 June 2023, gearing ratio (ratio of bank borrowings to total equity) was 0.2% (31 December 2022: 0.6%).

The Group's sales are primarily denominated in Renminbi for domestic sales in China and US dollars for export sales. The Group manages its foreign exchange risks by closely monitoring its foreign exchange exposures and mitigating the impact of foreign currency fluctuations by using appropriate hedging arrangements when considered necessary.



Management Discussion and Analysis

Pledge of Assets

As of 30 June 2023, bank deposits of RMB19 million have been pledged to secure short-term banking facilities.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 30 June 2023.

Employees

The Group employed a total of 25,587 employees as of 30 June 2023, with a majority of them employed in mainland China. The Group continues to offer competitive remuneration packages, discretionary share options, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

In order to retain and motivate the employees of the Group for its continual operation and development, Key Honesty Limited, a shareholder of the Company which is indirectly wholly-owned by Mr. Cai Dongchen, the Chairman of the Board, has granted conditional share awards to selected employees of the Group during 2022 in respect of the existing issued shares of the Company held by Key Honesty Limited. The respective awarded shares will be vested and transferred to the grantees within 3 to 5 years from date of grant at a transfer price of HK\$2.95 per share subject to the fulfilment of certain conditions. As of 30 June 2023, there were 206,050,000 unvested awarded shares.



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
CSPC PHARMACEUTICAL GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CSPC Pharmaceutical Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 21 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 August 2023



Condensed Consolidated Income Statement

For the six months ended 30 June 2023 – Unaudited

	Note	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Revenue	3	16,080,412	15,610,026
Cost of sales		(4,842,773)	(4,271,542)
Gross profit		11,237,639	11,338,484
Other income		248,811	232,734
Other gains or losses, net		20,126	49,711
Selling and distribution expenses		(4,902,391)	(5,410,159)
Administrative expenses		(535,640)	(564,819)
Research and development expenses		(2,303,611)	(1,884,077)
Other expenses		(54,155)	(33,515)
Share of results of associates		(16,248)	(26,954)
Share of results of joint ventures		(2,255)	27,777
Finance costs		(10,722)	(9,722)
Profit before tax	4	3,681,554	3,719,460
Income tax expense	5	(623,514)	(692,377)
Profit for the period		3,058,040	3,027,083
Profit for the period attributable to:			
Owners of the Company		2,966,987	2,966,205
Non-controlling interests		91,053	60,878
		3,058,040	3,027,083
		RMB cents	RMB cents
Earnings per share	7		
— Basic		24.95	24.89
— Diluted		24.95	24.89



Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023 – Unaudited

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the period	3,058,040	3,027,083
Other comprehensive income:		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial assets measured at fair value through other comprehensive income, net of income tax	10,979	8,365
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	7,077	44,435
Other comprehensive income for the period, net of income tax	18,056	52,800
Total comprehensive income for the period	3,076,096	3,079,883
Total comprehensive income for the period attributable to:		
Owners of the Company	2,985,043	3,019,005
Non-controlling interests	91,053	60,878
	3,076,096	3,079,883




Condensed Consolidated Statement of Financial Position

As at 30 June 2023 – Unaudited

		30 June 2023	31 December 2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment	8	10,037,227	9,582,060
Right-of-use assets	9	1,321,356	1,394,859
Investment property		61,085	62,737
Goodwill		234,904	234,904
Intangible assets	10	2,264,522	1,908,112
Interests in associates		678,042	685,290
Interests in joint ventures		707,227	709,482
Other financial assets	11	2,532,672	2,125,574
Deferred tax assets		146,351	113,026
Deposits, prepayments and other receivables	13	568,282	796,570
Bank deposits	17	740,000	200,000
		<u>19,291,668</u>	<u>17,812,614</u>
Current assets			
Inventories		2,751,952	2,554,861
Trade receivables	12	5,415,329	3,937,967
Deposits, prepayments and other receivables	13	659,499	693,224
Bills receivables	14	3,006,209	2,602,551
Amounts due from related companies	15	353,128	195,643
Amounts due from joint ventures	15	104,759	100,048
Structured bank deposits	16	1,625,425	3,574,859
Bank deposits, balances and cash	17	10,465,265	10,298,007
		<u>24,381,566</u>	<u>23,957,160</u>

Condensed Consolidated Statement of Financial Position

		30 June	31 December
		2023	2022
	<i>Note</i>	RMB'000	<i>RMB'000</i>
Current liabilities			
Trade payables	18	1,922,553	1,507,986
Other payables	19	5,780,042	5,355,516
Contract liabilities		233,509	799,458
Bills payables	20	440,687	502,079
Amounts due to related companies	15	33,638	104,938
Amounts due to joint ventures	15	115,518	130,860
Lease liabilities		153,107	142,071
Tax liabilities		291,245	261,608
Bank borrowings	21	55,370	153,484
		9,025,669	8,958,000
Net current assets			
		15,355,897	14,999,160
Total assets less current liabilities			
		34,647,565	32,811,774
Non-current liabilities			
Other payables	19	372,317	270,917
Lease liabilities		186,885	258,039
Deferred tax liabilities		556,576	611,993
Bank borrowings	21	19,900	28,950
		1,135,678	1,169,899
Net assets			
		33,511,887	31,641,875
Capital and reserves			
Share capital	22	10,899,412	10,899,412
Reserves		20,920,068	19,298,122
Equity attributable to owners of the Company			
		31,819,480	30,197,534
Non-controlling interests		1,692,407	1,444,341
Total equity			
		33,511,887	31,641,875

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 – Unaudited

	Equity attributable to owners of the Company							Equity attributable to non-controlling interests				Total	
	Share capital	Treasury share reserve	Employee share-based compensation reserves	Other reserves	Statutory reserves	Capital contribution reserve	Translation reserve	Accumulated profits	Sub-total	Employee share-based compensation reserve of a subsidiary	Share of net assets of subsidiaries		Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	10,899,412	(85,600)	17,671	(4,050,831)	1,917,652	46,794	(28,446)	17,270,020	25,986,672	3,570	837,989	841,559	26,828,231
Profit for the period	-	-	-	-	-	-	-	2,966,205	2,966,205	-	60,878	60,878	3,027,083
Other comprehensive income for the period, net of income tax	-	-	-	8,365	-	-	44,435	-	52,800	-	-	-	52,800
Total comprehensive income for the period	-	-	-	8,365	-	-	44,435	2,966,205	3,019,005	-	60,878	60,878	3,079,883
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	-	(1,019,165)	(1,019,165)	-	-	-	(1,019,165)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(20,475)	(20,475)	(20,475)
Recognition of employee share-based compensation expense	-	-	5,609	-	-	63,586	-	-	69,195	2,671	-	2,671	71,866
Repurchase of ordinary shares	-	-	-	-	-	-	-	(14,211)	(14,211)	-	-	-	(14,211)
Vesting of shares under share award scheme	-	1,890	(15,100)	-	-	-	-	13,210	-	-	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(199)	(199)	-	(36,043)	(36,043)	(36,242)
Acquisition of a subsidiary (note 23)	-	-	-	-	-	-	-	-	-	-	473,384	473,384	473,384
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	51,868	51,868	51,868
Transfer to statutory reserves	-	-	-	-	26,236	-	-	(26,236)	-	-	-	-	-
At 30 June 2022	10,899,412	(83,710)	8,180	(4,042,466)	1,943,888	110,380	15,989	19,189,624	28,041,297	6,241	1,367,601	1,373,842	29,415,139
At 1 January 2023	10,899,412	(83,710)	9,475	(4,037,818)	2,055,657	196,574	22,047	21,135,897	30,197,534	7,612	1,436,729	1,444,341	31,641,875
Profit for the period	-	-	-	-	-	-	-	2,966,987	2,966,987	-	91,053	91,053	3,058,040
Other comprehensive income for the period, net of income tax	-	-	-	10,979	-	-	7,077	-	18,056	-	-	-	18,056
Total comprehensive income for the period	-	-	-	10,979	-	-	7,077	2,966,987	2,985,043	-	91,053	91,053	3,076,096
Dividend recognised as distribution (note 6)	-	-	-	-	-	-	-	(1,203,729)	(1,203,729)	-	-	-	(1,203,729)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(26,003)	(26,003)	(26,003)
Purchase of shares under share award scheme	-	(254,346)	-	-	-	-	-	-	(254,346)	-	-	-	(254,346)
Recognition of employee share-based compensation expense	-	-	13,981	-	-	94,251	-	-	108,232	1,304	-	1,304	109,536
Repurchase of ordinary shares	-	-	-	-	-	-	-	(200,358)	(200,358)	-	-	-	(200,358)
Vesting of shares under share award scheme	-	3,388	(5,605)	-	-	-	-	2,217	-	-	-	-	-
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(19,582)	(19,582)	-	(99,727)	(99,727)	(119,309)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	206,688	206,688	-	281,439	281,439	488,127
Transfer to statutory reserves	-	-	-	-	25,611	-	-	(25,611)	-	-	-	-	-
At 30 June 2023	10,899,412	(334,670)	17,851	(4,026,839)	2,081,268	290,825	29,124	22,862,509	31,819,480	8,916	1,683,491	1,692,407	33,511,887

Notes:

- (i) The balance in other reserves mainly included an amount of RMB4,030,633,000 which represents the difference between the fair value of the deemed consideration under the reverse acquisition of RMB2,631,198,000 and the fair value of the consideration paid by the Company of RMB6,661,831,000 in the reverse acquisition on 29 October 2012, and the accumulated changes in fair value of financial assets designated at fair value through other comprehensive income (“FVTOCI”).
- (ii) The statutory reserves were appropriated from the profit after tax of the Company’s subsidiaries in the People’s Republic of China (the “PRC”) under the laws and regulations of the PRC.
- (iii) The balance in capital contribution reserve mainly included the deemed contribution by CSPC Holdings Company Limited (“CHL”), a related company, which comprise (1) the difference between the carrying amount of the net assets of entities comprising Robust Sun Holdings Limited (“Robust Sun”) and its subsidiaries (collectively referred to as the “Robust Sun Group”) and the consideration paid to CHL and its subsidiaries during group reorganisation under Robust Sun Group in 2012; (2) the imputed interest arising on a non-interest bearing loan from CHL in 2012, (3) deemed capital contribution arising from the acquisition of CSPC Shengxue Glucose Co. Ltd. from CHL in 2016; and (4) deemed capital contribution arising from the grant of share awards to employees of the Group in 2022 by a shareholder.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023 – Unaudited

		Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Note			
	Net cash from operating activities	1,320,437	4,257,134
	Net cash from (used in) investing activities:		
	Purchase of property, plant and equipment	(785,012)	(813,859)
	Purchase of right-of-use assets	(2,747)	13,354
	Purchase of intangible assets	(236,360)	(156,353)
	Purchase of other financial assets	(512,649)	(49,075)
	Acquisition of subsidiaries	—	(301,718)
	Capital injection to an associate	(9,000)	(50,000)
	Capital injection to a joint venture	—	(100,000)
	Placement of structured bank deposits	(1,720,000)	(1,846,000)
	Withdrawal (placement) of restricted and pledged bank balances	41,709	(5,270)
	Placement of bank deposits	(1,740,000)	(1,870,000)
	Withdrawal of structured bank deposits	2,797,849	614,033
	Withdrawal of bank deposits	2,120,000	200,000
	Decrease (increase) in structured bank deposits		
	with original maturity within three months	930,000	(1,618,000)
	Dividend received from a joint venture	—	123,743
	Dividend received from an associate	—	6,055
	Proceeds from distribution of other financial assets	26,554	17,406
	Interest received	124,805	98,475
	Receipt of government grants related to acquisition		
	of property, plant and equipment	54,896	4,666
	Proceeds from disposal of property, plant and equipment	15,044	29,347
	Purchase of share under share award scheme	(254,348)	—
		850,741	(5,703,196)

Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2023	2022
<i>Note</i>	RMB'000	<i>RMB'000</i>
Net cash used in financing activities:		
Interest on lease liabilities	(7,682)	(4,843)
Payments of lease liabilities	(70,819)	(59,852)
Dividends paid to non-controlling interests	(26,003)	(20,475)
Dividends paid	(1,203,729)	(1,019,165)
Interest on bank borrowings	(2,180)	(4,879)
New bank borrowings raised	—	333,580
Advances drawn on bill receivables discounted with recourse	39,718	15,997
Acquisition of additional interest in a subsidiary	(119,309)	(36,242)
Repurchase of ordinary shares	(200,358)	(14,211)
Capital contribution from non-controlling interests	488,127	51,868
Proceed from issuance of preference share of a subsidiary	59,187	—
Repayment of bank borrowings	(5,100)	—
	(1,048,148)	(758,222)
Net increase (decrease) in cash and cash equivalents	1,123,030	(2,204,284)
Cash and cash equivalents at 1 January	8,000,852	9,059,709
Effect of foreign exchange rate changes	5,937	9,592
Cash and cash equivalents at 30 June, represented by bank balances and cash	9,129,819	6,865,017
	17	



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023 – Unaudited

1. Basis of Preparation

CSPC Pharmaceutical Group Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on the Stock Exchange.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2022 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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.

Other than additional amounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), 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 presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes International Tax Reform-Pillar Two Model Rules

2. Principal Accounting Policies *(continued)*

Application of new and amendments to HKFRSs *(continued)*

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendment also clarifies that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending 31 December 2023.

2. Principal Accounting Policies *(continued)*

Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, the provisions for decommissioning and restoration and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform-Pillar Two model Rules

In July 2023, the HKICPA issued the amendments to HKAS 12 to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the “Pillar Two legislation”). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group’s entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group’s exposure to Pillar Two income taxes in the Group’s annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

3. Revenue and Segment Information

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Sale of goods	16,045,712	15,610,026
License fee income	34,700	—
	16,080,412	15,610,026

Geographical information

The revenue from the external customers by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Mainland China (place of domicile)	13,841,284	13,076,544
North America	489,542	608,155
Other Asian regions	823,567	1,006,542
Europe	691,814	596,630
Others	234,205	322,155
	16,080,412	15,610,026

Sale of goods

Revenue is recognised at a point in time upon control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. Following delivery, the customer bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 90 days upon delivery.

License fee income

The Group provides license of its patented intellectual property ("IP") or commercialisation license to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or license. License fee income is recognised at a point in time upon the customer obtains control of IP or if control is transferred over time, e.g. commercialisation license to customers for a term of period, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

3. Revenue and Segment Information *(continued)*

(i) Disaggregation of revenue *(continued)*

License fee income *(continued)*

The consideration for license comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties). For license associated with customers' right to use, upfront fee received is recorded under contract liabilities and recognised as revenue only when customers have ability to use the license and variable consideration is recognised only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future.

(ii) Segment information

Information reported to the executive directors, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on types of goods delivered. The Group's reportable segments are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products and license fee income;
- (b) Bulk products — manufacture and sale of vitamin C and antibiotic products in bulk powder form; and
- (c) Functional food and others — manufacture and sale of functional food products (including caffeine food additives, anhydrous glucose, acarbose and vitamin C buccal tablets), and provision of healthcare service and others.

Bulk products of anhydrous glucose and acarbose were included in the Bulk products (antibiotics and others) segment in prior years. With the aim of strengthening synergy in business development, the Group's operating segments have been reorganised. Bulk products of anhydrous glucose and acarbose are now being managed and reported in the Functional and Food segment. Comparative figures have been restated to conform with current period's presentation.

Notes to the Condensed Consolidated Financial Statements

3. Revenue and Segment Information *(continued)*

(ii) Segment information *(continued)*

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

Six months ended 30 June 2023:

	Finished drugs <i>RMB'000</i>	Bulk products		Functional food and others <i>RMB'000</i>	Segment total <i>RMB'000</i>	Eliminations <i>RMB'000</i>	Consolidated <i>RMB'000</i>
		Vitamin C <i>RMB'000</i>	Antibiotics <i>RMB'000</i>				
SEGMENT REVENUE							
Sale of goods	12,899,014	1,039,715	930,102	1,176,881	16,045,712	–	16,045,712
Inter-segment sales	–	3,574	138,097	112,200	253,871	(253,871)	–
License fee income	34,700	–	–	–	34,700	–	34,700
TOTAL REVENUE	<u>12,933,714</u>	<u>1,043,289</u>	<u>1,068,199</u>	<u>1,289,081</u>	<u>16,334,283</u>	<u>(253,871)</u>	<u>16,080,412</u>
SEGMENT PROFIT	<u>3,192,433</u>	<u>67,582</u>	<u>71,421</u>	<u>331,005</u>			3,662,441
Unallocated income							183,397
Unallocated expenses							(135,059)
Share of results of associates							(16,248)
Share of results of joint ventures							(2,255)
Finance costs							(10,722)
Profit before tax							<u>3,681,554</u>

Notes to the Condensed Consolidated Financial Statements

3. Revenue and Segment Information *(continued)*

(ii) Segment information *(continued)*

Six months ended 30 June 2022 (restated):

	Finished drugs RMB'000	Bulk products		Functional food and others RMB'000	Segment total RMB'000	Eliminations RMB'000	Consolidated RMB'000
		Vitamin C RMB'000	Antibiotics RMB'000				
SEGMENT REVENUE							
Sale of goods	12,292,908	1,398,898	781,176	1,137,044	15,610,026	—	15,610,026
Inter-segment sales	—	2,640	113,887	62,002	178,529	(178,529)	—
TOTAL REVENUE	<u>12,292,908</u>	<u>1,401,538</u>	<u>895,063</u>	<u>1,199,046</u>	<u>15,788,555</u>	<u>(178,529)</u>	<u>15,610,026</u>
SEGMENT PROFIT	<u>3,008,121</u>	<u>321,077</u>	<u>71,614</u>	<u>285,808</u>			3,686,620
Unallocated income							163,176
Unallocated expenses							(121,437)
Share of results of associates							(26,954)
Share of results of joint ventures							27,777
Finance costs							<u>(9,722)</u>
Profit before tax							<u>3,719,460</u>

Segment profit represents the profit earned by each segment without allocation of interest income, fair value changes on structured bank deposits, fair value changes on financial assets measured at fair value through profit or loss ("FVTPL"), finance costs, central administrative expenses, and share of results of associates and joint ventures. This is the measure reported to the executive directors for the purposes of resources allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The executive directors makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the executive directors do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

4. Profit Before Tax

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	415,596	389,425
Depreciation of right-of-use assets	84,240	68,025
Depreciation of investment property	1,652	860
Amortisation of intangible assets	30,412	23,324
Total depreciation and amortisation	531,900	481,634
Employee share-based compensation benefits (<i>note a</i>)	109,536	71,866
Government grant income (included in other income)	(60,180)	(64,808)
Fair value loss on financial assets measured at FVTPL (included in other gains or losses)	90,824	33,517
Fair value gain on structured bank deposits (included in other gains or losses)	(58,415)	(51,155)
Impairment losses recognised under expected credit loss model (included in other gains or losses)	8,593	14,492
Interest income on bank deposits and balances (included in other income)	(124,805)	(98,475)
Loss on disposal of property, plant and equipment (included in other gains or losses)	23,659	4,541
Net foreign exchange gain (included in other gains or losses)	(84,704)	(51,540)

Notes:

- (a) The amount mainly included employee share-based compensation expense of RMB13,981,000 (six months ended 30 June 2022: RMB5,609,000) in respect of share awards granted under the Share Award Scheme of the Company and RMB94,251,000 (six months ended 30 June 2022: RMB63,586,000) in respect of share awards granted to selected employees of the Group by a shareholder of the Company in 2022 involving the existing shares of the Company held by the shareholder.
- (b) For the six months ended 30 June 2023 and 2022, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated income statement.

5. Income Tax Expense

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
The tax charge comprises:		
Current taxation		
– PRC Enterprise Income Tax	601,557	707,703
– PRC withholding tax on dividends distributed by subsidiaries	103,126	51,330
– USA Federal and State Income Tax	8,007	5,782
	712,690	764,815
Deferred taxation	(89,176)	(72,438)
	623,514	692,377

The calculation of Hong Kong Profits Tax for the Company and its subsidiaries incorporated in Hong Kong is based on the prevailing tax rates in Hong Kong. No Hong Kong Profits Tax has been recognised as the Company and its subsidiaries incorporated in Hong Kong had no assessable profits for both periods.

The basic tax rate of the Company's PRC subsidiaries is 25% under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. Certain subsidiaries of the Company are qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2025.

Under the EIT Law of the PRC, withholding tax at 10% or a lower applicable rate is imposed on dividends declared and payable to investors that are non-PRC resident enterprise.

The calculation of USA Federal and State Income Tax is based on the prevailing tax rates in the USA.

Deferred taxation has not been provided for the accumulated profits of the PRC subsidiaries amounting to approximately RMB21,319,628,000 (31 December 2022: RMB18,583,403,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. Dividends

(a) Interim dividend

The board of directors has declared the payment of an interim dividend of HK14 cents per share for 2023 (2022: HK10 cents (approximately RMB9.0 cents) amounting to approximately RMB1,077,797,000) after the end of the interim period, which has not been recognised as a liability at the end of the interim period.

(b) Final dividend approved and paid during the interim period

Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK11 cents (approximately RMB10.1 cents) (2021: HK10 cents (approximately RMB8.6 cents)) per share
Less: Dividend for shares held by share award scheme

Six months ended 30 June	
2023	2022
RMB'000	RMB'000
1,207,225	1,020,529
(3,496)	(1,364)
1,203,729	1,019,165

7. Earnings Per Share

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

Six months ended 30 June	
2023	2022
Earnings for the purposes of basic and diluted earnings per share (RMB'000)	
2,966,987	2,966,205
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	
11,892,763	11,917,148
Effect of dilutive potential ordinary shares:	
Unvested shares under share award scheme (in '000)	
504	945
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	
11,893,267	11,918,093

The weighted average number of ordinary shares for the calculation of basic earnings per share for both periods have been adjusted for the shares held by the trustee pursuant to the share award scheme of the Company.

8. Property, Plant and Equipment

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
At beginning of the period:		
Cost	14,201,375	12,392,066
Accumulated depreciation	(4,619,315)	(3,862,696)
Net carrying amount	<u>9,582,060</u>	<u>8,529,370</u>
At beginning of the period, net of accumulated depreciation	9,582,060	8,529,370
Additions	907,675	619,585
Acquired on acquisition of subsidiaries	—	82,223
Disposals	(38,703)	(33,888)
Depreciation provided during the period	(415,596)	(389,425)
Exchange adjustments	1,791	2,318
At end of the period, net of accumulated depreciation	<u>10,037,227</u>	<u>8,810,183</u>
At end of the period:		
Cost	15,009,055	13,039,537
Accumulated depreciation	(4,971,828)	(4,229,354)
Net carrying amount	<u>10,037,227</u>	<u>8,810,183</u>

9. Right-of-Use Assets

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Net carrying amount at beginning of the period	1,394,859	1,034,549
Additions	7,148	266,095
Acquired on acquisition of subsidiaries	—	34,000
Depreciation provided during the period	(84,240)	(68,025)
Exchange adjustments	3,589	1,645
Net carrying amount at end of the period	<u>1,321,356</u>	<u>1,268,264</u>

10. Intangible Assets

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At beginning of the period:		
Cost	2,329,515	727,354
Accumulated amortisation and impairment	(421,403)	(259,500)
Net carrying amount	1,908,112	467,854
At beginning of the period, net of accumulated amortisation and impairment	1,908,112	467,854
Additions	386,360	56,353
Acquired on acquisition of subsidiaries	—	962,574
Amortisation provided during the period	(30,412)	(23,324)
Exchange adjustments	462	760
At end of the period, net of accumulated amortisation and impairment	2,264,522	1,464,217
At end of the period:		
Cost	2,717,070	1,745,894
Accumulated amortisation and impairment	(452,548)	(281,677)
Net carrying amount	2,264,522	1,464,217

11. Other Financial Assets

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Unlisted investments in partnerships and funds	1,726,783	1,767,743
Listed equity securities	89,567	100,457
Unlisted equity securities	716,322	257,374
	2,532,672	2,125,574
Analysed as:		
Financial assets measured at FVTPL	1,789,232	1,843,961
Financial assets measured at FVTOCI (<i>note</i>)	743,440	281,613
	2,532,672	2,125,574

Note: The Directors have elected to designate these investments to be measured at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

Notes to the Condensed Consolidated Financial Statements

11. Other Financial Assets *(continued)*

The Directors consider that the Group does not have any control nor significant influence to affect the variable returns through its investment in those enterprises or similar activities.

In the current interim period, the Group received RMB26,554,000 (six months ended 30 June 2022: RMB17,406,000) upon distribution by the partnerships and funds, which was also the fair value as at the date of distribution.

12. Trade Receivables

	30 June 2023 RMB'000	31 December 2022 RMB'000
Trade receivables	5,447,198	3,961,692
Less: allowance for impairment	(31,869)	(23,725)
	<u>5,415,329</u>	<u>3,937,967</u>

The Group allows a general credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for impairment) at the end of the reporting period presented based on invoice dates which approximated the respective revenue recognition dates:

	30 June 2023 RMB'000	31 December 2022 RMB'000
0 to 90 days	4,893,450	3,664,707
91 to 180 days	489,453	261,185
181 to 365 days	29,962	9,562
More than 365 days	2,464	2,513
	<u>5,415,329</u>	<u>3,937,967</u>

13. Deposits, Prepayments and Other Receivables

	30 June 2023 RMB'000	31 December 2022 RMB'000
Prepayments for raw materials and research and development expenses	210,816	207,224
Deposits paid for acquisition of property, plant and equipment and right-of-use assets	568,282	646,570
Other taxes recoverable	191,296	189,037
Prepayment for acquisition of intangible assets	—	150,000
Others	257,387	296,963
	<u>1,227,781</u>	<u>1,489,794</u>
Analysed as:		
Current	659,499	693,224
Non-current	568,282	796,570
	<u>1,227,781</u>	<u>1,489,794</u>

14. Bills Receivables

The bills receivables of the Group are with a maturity period of less than 365 days (31 December 2022: less than 365 days) and not yet due at the end of the reporting period. The management considers the default rate is low based on historical information, experience and forward-looking information that is available without undue cost or effort.

15. Related Party Disclosures

During the current interim period, the Group had significant transactions and balances with related parties. Other than those disclosed elsewhere in the condensed consolidated financial statements, the Group had also entered into the following significant transactions with related parties and the balances with them at the end of the reporting period are as follows:

(I) Related companies

Name of company	Nature of transactions/balances	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
CHL and its subsidiaries and associates (note a) (the "CHL Group")	Sales of pharmaceutical products	503,915	358,494
	Purchase of pharmaceutical products	10,648	6,735
	Payment of lease liabilities	66,996	56,415
		30 June 2023 RMB'000	31 December 2022 RMB'000
	Balance due from/to the CHL Group		
	— trade receivables (note b)		
	aged 0 to 90 days	289,825	150,715
	aged 91 to 180 days	22,256	11,912
	aged 181 to 365 days	16,778	1,503
	aged over 365 days	—	2,326
		328,859	166,456
	— other receivables (note c)	24,269	29,187
	— trade payables (note b)		
	aged 0 to 90 days	(3,990)	(32,723)
	aged 91 to 180 days	(9,394)	(468)
	aged 181 to 365 days	(230)	(1,904)
	aged over 365 days	(310)	(48,091)
		(13,924)	(83,186)
	— other payables (note c)	(19,714)	(21,752)
	— lease liabilities	(232,208)	(293,665)

15. Related Party Disclosures *(continued)***(II) Joint ventures**

Name of company	Nature of transactions/balances	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Hebei Huarong Pharmaceutical Co., Ltd (“Hebei Pharmaceutical”)	Purchase of raw materials	79,678	123,165
		30 June 2023 RMB'000	31 December 2022 RMB'000
	Balance due from/to Hebei Pharmaceutical		
	— trade receivables <i>(note b)</i>		
	aged 0 to 90 days	1,073	50
	aged 91 to 180 days	716	—
	aged 181 to 365 days	263	—
	aged over 365 days	1,465	—
		3,517	50
	— other receivables <i>(note c)</i>	3,864	2,965
	— trade payables <i>(note b)</i>		
	Aged 0 to 90 days	(64,381)	(99,215)
	Aged 91 to 180 days	(27,938)	(13,102)
		(92,319)	(112,317)
		30 June 2023 RMB'000	31 December 2022 RMB'000
Yantai Jiashi Pharmaceutical Technology Co., Ltd. and its subsidiaries (“Yantai Jiashi Group”)	Balance due from/to Yantai Jiashi Group		
	— other receivables <i>(note c)</i>	97,003	97,002
	— other payables <i>(note c)</i>	(6,928)	(6,928)

15. Related Party Disclosures *(continued)***(II) Joint ventures** *(continued)*

Name of company	Nature of transactions/balances	Six months ended 30 June	
		2023 RMB'000	2022 RMB'000
Bioworkshops (Suzhou) Limited (“Bioworkshops Suzhou”)	Research and development expense	25,284	4,080
		30 June 2023 RMB'000	31 December 2022 RMB'000
	Balance due from/to Bioworkshops Suzhou		
	— trade receivables <i>(note b)</i> aged 0 to 90 days	375	31
	— other payables <i>(note c)</i>	(16,271)	(11,615)

Notes:

- (a) Mr. Cai Dongchen, executive director and the Chairman of the Company, has significant influence over the Company and exercises control over CHL through a series of controlled corporations. Accordingly, CHL and its subsidiaries and associates are related parties of the Group.
- (b) The general credit period for trade receivables and payables is 90 days (31 December 2022: 90 days).
- (c) The amounts are unsecured, non-interest bearing and repayable on demand.

15. Related Party Disclosures *(continued)***(III) Compensation of key management personnel**

The remuneration of key management personnel, which represents the Company's directors during the period is as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Short-term benefits	6,582	6,331
Post-employment benefits	552	526
Share-based payment expenses	1,457	874
	8,591	7,731

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of the Group, performance and responsibilities of individuals, and prevailing market practices.

16. Structured bank deposits

The structured bank deposits carry guaranteed return of up to 1.90% (31 December 2022: 1.6%) per annum and have a total expected return of up to 3.40% (31 December 2022: 3.50%) per annum, depending on the market prices of the underlying commodities quoted in the market as specified in the terms of relevant deposits.

The structured bank deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivatives.

17. Bank Deposits/Cash and Cash Equivalents

	30 June 2023 RMB'000	31 December 2022 RMB'000
Time deposits	2,040,000	2,420,000
Pledged and restricted bank deposits	35,446	77,155
Bank balances and cash	9,129,819	8,000,852
	<u>11,205,265</u>	<u>10,498,007</u>
Analysed as:		
Current	10,465,265	10,298,007
Non-current	740,000	200,000
	<u>11,205,265</u>	<u>10,498,007</u>

The time deposits with original maturity of more than three monthly carry interest at market rates ranging from 2.85% to 3.35% (31 December 2022: 2.85% to 4.13%) per annum.

Bank balances carry interest at market interest rates ranging from 0.30% to 5.43% (31 December 2022: 0.30% to 3.33%) per annum.

The pledged and restricted bank deposits represent deposits required to be placed in banks for securing short-term bank facilities and are classified as current assets.

Notes to the Condensed Consolidated Financial Statements

18. Trade Payables

The following is an aged analysis of trade payables at the end of the reporting period presented based on the invoice dates:

	30 June 2023 RMB'000	31 December 2022 RMB'000
0 to 90 days	1,695,185	1,333,746
91 to 180 days	58,670	51,978
More than 180 days	168,698	122,262
	<u>1,922,553</u>	<u>1,507,986</u>

The general credit period on purchases of goods is up to 90 days (31 December 2022: 90 days).

19. Other Payables

	30 June 2023 RMB'000	31 December 2022 RMB'000
Other tax payable	121,163	181,238
Payables arising from construction cost and acquisition of property, plant and equipment	860,842	818,967
Deferred government grants	492,962	411,959
Salaries, wages and staff welfare payable	564,462	546,927
Selling expense payable	3,191,497	3,049,003
Research and development expense payable	194,246	126,516
License fees payables	119,428	—
Others	607,759	491,823
	<u>6,152,359</u>	<u>5,626,433</u>
Analysed as:		
Current	5,780,042	5,355,516
Non-current	372,317	270,917
	<u>6,152,359</u>	<u>5,626,433</u>

Notes to the Condensed Consolidated Financial Statements

20. Bills Payables

All bills payables of the Group are aged within 365 days (31 December 2022: within 365 days) and not yet due at the end of the reporting period.

21. Bank Borrowings

	30 June 2023 RMB'000	31 December 2022 RMB'000
Discount of bills receivables (<i>note a</i>)	43,580	145,644
Variable-rate unsecured RMB bank loans (<i>note b</i>)	31,690	36,790
	75,270	182,434
The carrying amounts of the above borrowings are repayable as follows:		
Within one year, classified as current liabilities	55,370	153,484
Within a period of more than one year, but not exceeding two years, classified as non-current liabilities	19,900	28,950
	75,270	182,434

Notes:

- a. The amount represents borrowings secured by the bill receivables discounted to banks with recourse and the amount is repayable within one year.
- b. The bank loans carry effective interest rate ranging from 3.7% to 5.5% (31 December 2022: 3.7% to 5.5%) per annum.

22. Share Capital

	Number of shares	Share capital <i>RMB'000</i>
Issued and fully paid		
At 1 January 2022	11,949,979,732	10,899,412
Shares repurchased and cancelled (<i>note</i>)	<u>(16,760,000)</u>	<u>—</u>
At 30 June 2022, 31 December 2022 and 1 January 2023	11,933,219,732	10,899,412
Shares repurchased and cancelled	<u>(30,000,000)</u>	<u>—</u>
At 30 June 2023	<u>11,903,219,732</u>	<u>10,899,412</u>

The Company repurchased its own ordinary shares through the Stock Exchange as follows:

Date	Number of shares repurchased	Highest	Lowest	Aggregation	
		purchase price per share <i>HK\$</i>	purchase price per share <i>HK\$</i>	consideration paid (before expense) <i>HK\$'000</i> <i>RMB'000</i> (equivalent)	
January 2022	2,054,000	8.49	8.44	17,409	14,166
March 2023	24,560,000	7.80	7.41	187,202	163,877
April 2023	5,440,000	7.75	7.61	41,673	36,481

The shares repurchased were cancelled in January 2022 and April 2023.

Note: Out of 16,760,000 shares cancelled, 14,706,000 shares were repurchased in December 2021.

23. Acquisition of Subsidiaries

(a) Acquisition of Zhifan Group

In January 2022, the Group entered into an agreement with an independent third party to acquire 100% interest in Zhuhai Zhifan Enterprise Management Consultancy Centre (Limited Partnership) (“Zhuhai Zhifan”, together with its subsidiary, “Zhifan Group”) for a cash consideration of RMB302,904,000. Zhuhai Zhifan is principally engaged in the holding of 51% equity interest in Guangzhou Recomgen Biotech Co., Ltd. (now renamed as CSPC Recomgen Pharmaceutical (Guangzhou) Co., Ltd.) (“Recomgen”), which is principally engaged in biopharmaceutical business. The acquisition has been accounted for using acquisition method of accounting.

Fair value of identifiable net assets

The fair value of the identifiable assets and liabilities recognised at the date of acquisition were as follows:

	<i>RMB'000</i>
Property, plant and equipment	82,223
Right-of-use assets	34,000
Intangible assets	962,574
Deposits	4,992
Inventories	30,572
Trade receivables	5,000
Deposits, prepayments and other receivables	24,925
Bank balances	1,186
Trade payables	(8,182)
Other payables	(255,642)
Contract liabilities	(40)
Bank borrowings	(46,790)
Deferred tax liabilities	(130,138)
Total identifiable net assets at fair value	<u>704,680</u>

Non-controlling interests

The non-controlling interests in Recomgen recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Recomgen and amounted to RMB473,384,000.

23. Acquisition of Subsidiaries *(continued)***(a) Acquisition of Zhifan Group** *(continued)***Goodwill arising on acquisition**

	<i>RMB'000</i>
Consideration transferred	302,904
<i>Plus:</i> non-controlling interests	473,384
<i>Less:</i> recognised amounts of net assets acquired	<u>(704,680)</u>
Goodwill arising on acquisition	<u>71,608</u>

Goodwill arose on the acquisition because the acquisition included the assembled workforce for research and development of thrombolytic drug and the associated intellectual property owned by Recomgen. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflows arising on acquisition of Zhifan Group

	<i>RMB'000</i>
Consideration paid in cash	302,904
<i>Less:</i> bank balances and cash acquired	<u>(1,186)</u>
	<u>301,718</u>

Impact of acquisition on the results of the Group

Since the acquisition, Zhifan Group has contributed RMB28,405,000 to the revenue of the Group and a loss of RMB27,342,000 to the Group for the six months ended 30 June 2022.

Had the acquisition been completed on 1 January 2022, total amount of the Group's revenue and profit for the six months ended 30 June 2022 would not be significantly different from those reported in the consolidated income statement.

24. Long Term Incentive Program

(i) Share option scheme

The share option scheme of the Company (the "Option Scheme") is for the purpose of providing the Company with a flexible means of giving incentive to eligible participants. Participants include any director, employee, business consultant, professional and other adviser of the Group. The Option Scheme was adopted on 9 December 2015 and will expire on 8 December 2025.

No share options have been granted under the Option Scheme since adoption. As at 1 January 2023 and 30 June 2023, the number of share options available for grant under the Option Scheme was 591,101,840.

(ii) Share award scheme

The share award scheme of the Company (the "Share Award Scheme") is for the purpose of providing the selected participants with an opportunity to acquire a proprietary interest in the Company; encouraging and retaining such individuals to work with the Company; and providing additional incentives to them to achieve performance goals, with a view to achieving the objectives of increasing the value of the Company and aligning the interests of the selected participants directly to the shareholders through ownership of shares of the Company. Participants include any director, employee, officer, agent or consultant of the Group. The Share Award Scheme was adopted on 20 August 2018 and will expire on 19 August 2028.

Details of movement of awarded shares during the period are as follows:

Grantees	Date of grant	Vesting period	Number of awarded shares				
			As at 1 January 2023	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 30 June 2023
Employees	15 Jan 2019	15 Jan 2019 to 14 Jan 2023	329,000	–	(325,000)	(4,000)	–
	15 Jan 2019	15 Jan 2019 to 14 Jan 2024	329,000	–	–	–	329,000
	16 Dec 2021	16 Dec 2021 to 14 Jan 2023	329,000	–	(325,000)	(4,000)	–
	16 Dec 2021	16 Dec 2021 to 14 Jan 2024	329,000	–	–	–	329,000
	30 May 2023	30 May 2023 to 9 July 2023	–	3,000,000	–	–	3,000,000
Total			<u>1,316,000</u>	<u>3,000,000</u>	<u>(650,000)</u>	<u>(8,000)</u>	<u>3,658,000</u>

24. Long Term Incentive Program *(continued)*

(ii) Share award scheme *(continued)*

Notes:

- a. The closing price of the Company's shares immediately before the date on which the share awards were granted was HK\$6.91 per share.
- b. The fair value of the share awards at the date of grant was HK\$6.55 per share, which was measured based on the closing price of the Company's shares at the date of grant and adjusted by the fair value of dividends during the vesting period as the grantees are not entitled to dividends during the vesting period.
- c. The weighted average closing price of the Company's share immediately before the date on which the share awards were vested was HK\$9.17 per share.
- d. The share awards were granted and vested for no consideration.

As at 1 January 2023 and 30 June 2023, the number of share awards available for grant under the Share Award Scheme was 120,304,368 and 117,312,368 respectively.

The number of shares that may be issued in respect of share awards granted under the Share Award Scheme during the period divided by the weighted average number of shares in issue for the period is 0.03%.

As at 1 January 2023 and 30 June 2023, there were 15,960,000 and 54,464,000 shares of the Company held by the trustee of the Share Award Scheme respectively.

(iii) Share awards granted by a shareholder

Key Honesty Limited ("Key Honesty"), a shareholder of the Company indirectly and wholly-owned by Mr. Cai Dongchen, Chairman of the Company, has granted 218,250,000 and 8,900,000 share awards involving the existing shares of the Company held by Key Honesty to selected employees of the Group on 1 April 2022 and 14 September 2022, respectively. The share awards will be vested and transferred within 3 to 5 years from the date of grant at a transfer price of HK\$2.95 per share subject to the fulfilment of certain conditions. During the six months ended 30 June 2023 and 2022, no share awards were lapsed. As at 1 January 2023 and 30 June 2023, there are 206,050,000 unvested share awards. During the six months ended 30 June 2023, share-based compensation expense of RMB94,251,000 (six months ended 30 June 2022: RMB63,586,000) was recognised in profit or loss.

25. Capital and Other Commitments

At the end of the reporting period, the Group had the following capital commitments:

	30 June 2023 RMB'000	31 December 2022 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,496,741	1,685,261
Commitments arising from unlisted equity investments in partnerships	555,093	610,856

26. Fair Value Measurement of Financial Instruments

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26. Fair Value Measurement of Financial Instruments *(continued)*

Financial assets/ financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2023 RMB'000	31 December 2022 RMB'000				
Equity securities listed in Hong Kong	89,567	100,457	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted investments	2,443,105	2,025,117	Level 3	Recent transaction prices of underlying investments	N/A	N/A
				Discount cash flows — in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from the underlying assets	Estimated discount rate	The higher the estimated discount rate, the lower the fair value, vice versa
					Long-term pre-tax operating margin	The higher of the long-term pre-tax operating margin, the higher the fair value, vice versa
Bills receivables at FVTOCI	1,803,725	1,561,531	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers	N/A	N/A
Structured bank deposits	1,625,425	3,574,859	Level 2	Expected yields of underlying investments in commodities, bonds and funds invested by bank at a discount rate that reflects the credit risk of the bank	N/A	N/A

There were no transfers between levels in the current interim period.

Unrealised fair value gain of RMB10,979,000 included in other comprehensive income for the period ended 30 June 2023 is related to other financial assets measured at FVTOCI held at the end of current reporting period (six months ended 30 June 2022: unrealised fair value gain of RMB8,365,000) and are reported as changes of 'other reserves'.



Notes to the Condensed Consolidated Financial Statements

26. Fair Value Measurement of Financial Instruments *(continued)*

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 and 2 inputs are not available, the Group has taken into account the assessment by qualified valuers to determine the appropriate valuation techniques and inputs to the model. The management reports to the Directors every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liability are disclosed above.

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



Other Information

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

The interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as at 30 June 2023 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below.

Long Positions

Name of director	Capacity	Number of shares held	Number of underlying shares held	Approximate % of the issued shares of the Company
Cai Dongchen	Beneficial owner	225,386,960	–	
	Interest of controlled corporation	2,600,868,710 ⁽¹⁾	–	
		<u>2,826,255,670</u>		23.74%
Chak Kin Man	Beneficial owner	3,847,680	–	0.03%
Wang Qingxi	Beneficial owner	–	3,000,000 ⁽²⁾	0.03%

Notes:

- (1) Mr. Cai Dongchen is deemed to be interested in 2,600,868,710 shares, comprising (i) 406,904,640 shares directly held by Key Honesty Limited, a direct wholly-owned subsidiary of True Ally Holdings Limited ("True Ally"), (ii) 1,218,834,470 shares directly held by Massive Giant Group Limited, a direct wholly-owned subsidiary of True Ally, (iii) 948,249,600 shares directly held by True Ally, which is directly wholly-owned by Mr. Cai Dongchen and (iv) 26,880,000 shares directly held by Harmonic Choice Limited by virtue of his interests in a chain of corporations holding Harmonic Choice Limited, namely Massive Top Limited, of which March Rise Limited, Beijing Zhongyihe Hezhong Investment Management Centre (Limited Partnership) (北京中宜和合眾投資管理中心(有限合伙)) ("Zhongyihe") and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.
- (2) Represents the unvested share awards granted to Mr. Wang Qingxi by Key Honesty Limited, a shareholder of the Company, on 1 April 2022.

Save as disclosed above, none of the directors of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2023 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange under the Model Code.

Arrangements to Purchase Shares or Debentures

Other than the long-term incentive programs disclosed below, at no time during the six months ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

Other persons' interests and short positions in the shares and underlying shares of the Company (within the meaning of Part XV of the SFO) as at 30 June 2023 as recorded in the register required to be kept under Section 336 of the SFO are set out below.

Long Positions

Name of substantial shareholder	Capacity	Number of shares held	Approximate % of the issued shares of the Company
Cai Dongchen	Beneficial owner	225,386,960	
	Interest in controlled corporation	2,600,868,710 ⁽¹⁾	
		<u>2,826,255,670</u>	23.74%
True Ally Holdings Limited	Beneficial owner	948,249,600	
	Interest in controlled corporation	1,652,619,110 ⁽¹⁾	
		<u>2,600,868,710</u>	21.85%
Massive Giant Group Limited	Beneficial owner	1,218,834,470	10.24%
Common Success International Limited	Beneficial owner	728,796,313	6.12%
UBS Group AG	Interest in controlled corporation	911,841,889	7.66%

Short Positions

Name of substantial shareholder	Capacity	Number of shares held	Approximate % of the issued shares of the Company
UBS Group AG	Interest in controlled corporation	122,117,795	1.03%

Other Information

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares *(continued)*

Note:

- (1) Mr. Cai Dongchen is deemed to be interested in 2,600,868,710 shares, comprising (i) 406,904,640 shares directly held by Key Honesty Limited, a direct wholly-owned subsidiary of True Ally, (ii) 1,218,834,470 shares directly held by Massive Giant Group Limited, a direct wholly-owned subsidiary of True Ally, (iii) 948,249,600 shares directly held by True Ally, which is directly wholly-owned by Mr. Cai Dongchen and (iv) 26,880,000 shares directly held by Harmonic Choice Limited by virtue of his interests in a chain of corporations holding Harmonic Choice Limited, namely Massive Top Limited, of which March Rise Limited, Zhongyihe and True Ally own 75%, 15% and 10%, respectively. March Rise Limited in turn is owned as to 40% by True Ally and 60% by Zhongyihe, the general partner of which is Mr. Cai Dongchen.

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2023 as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Long-Term Incentive Programs

Particulars of the Company's share option schemes and share award schemes are set out in note 24 to the condensed consolidated financial statements.

Corporate Governance

The Company has complied with all the code provisions in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. In response to specific enquiry made, all directors confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

Review of Interim Results and Interim Report

The interim results for the six months ended 30 June 2023 and this Report have been reviewed by the audit committee of the Company.

Other Information

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

During the six months ended 30 June 2023, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Date	Number of shares repurchased	Highest purchase price per share	Lowest purchase price per share	Aggregate consideration (before expenses)	
		HK\$	HK\$	HK\$'000	RMB'000 (equivalent)
March 2023	24,560,000	7.80	7.41	187,202	163,877
April 2023	5,440,000	7.75	7.61	41,673	36,481
	<u>30,000,000</u>			<u>228,875</u>	<u>200,358</u>

All of the above shares were cancelled upon delivery of the share certificates in April 2023.

The repurchase of shares were made for the benefit of the shareholders with a view to enhancing the earnings per share as well as maximizing shareholders' return.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2023.

Closure of register of members

The register of members of the Company will be closed from Monday, 11 September 2023 to Tuesday, 12 September 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 September 2023.