

Interim Report

2024



INNOVATION

Contents

2	Corporate Information
3	Financial Highlights
4	Management Discussion and Analysis
21	Report on Review of Condensed Consolidated Financial Statements
22	Condensed Consolidated Income Statement
23	Condensed Consolidated Statement of Comprehensive Income
24	Condensed Consolidated Statement of Financial Position
26	Condensed Consolidated Statement of Changes In Equity
27	Condensed Consolidated Statement of Cash Flows
29	Notes to the Condensed Consolidated Financial Statements
51	Other Information

Corporate Information

Board of Directors

Executive Directors:

CAI Dongchen (*Chairman*)

ZHANG Cuilong (*Vice-Chairman and Chief Executive Officer*)

PAN Weidong

WANG Zhenguo

WANG Huaiyu

LI Chunlei

JIANG Hao

YAO Bing

CAI Xin

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

Suite 3206

32nd Floor

Central Plaza

18 Harbour Road

Wan Chai

Hong Kong

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		
	2024	2023	Change
<i>(in RMB'000, unless otherwise stated)</i>			
Revenue by business units:			
Finished drugs	13,549,079	12,933,714	+4.8%
Bulk products	1,854,794	1,969,817	-5.8%
Functional food and others	880,409	1,176,881	-25.2%
Total revenue	16,284,282	16,080,412	+1.3%
Profit attributable to shareholders			
Underlying profit <i>(note)</i>	3,216,870	3,161,861	+1.7%
As reported	3,020,374	2,966,987	+1.8%
Earnings per shares <i>(RMB cents)</i>			
Based on underlying profit attributable to shareholders			
— Basic	27.17	26.59	+2.2%
— Diluted	27.17	26.59	+2.2%
Based on reported profit attributable to shareholders			
— Basic	25.51	24.95	+2.2%
— Diluted	25.51	24.95	+2.2%
Interim dividend per share <i>(HK cents)</i>	16.00	14.00	+14.3%

Note: Underlying profit attributable to shareholders, a non-HKFRS measure, represents profit before taking into account fair value changes 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 page 19.

Management Discussion and Analysis

Results for the First Half of 2024

Revenue amounted to RMB16,284 million, an increase of 1.3% over the same period last year.

Underlying profit attributable to shareholders amounted to RMB3,217 million, an increase of 1.7% over the same period last year.

Profit attributable to shareholders amounted to RMB3,020 million, an increase of 1.8% over the same period last year.

Dividend and Share Buy-Backs

The Board has declared an interim dividend of HK16 cents per share for 2024, an increase of 14.3% over the same period last year. The dividend will be payable on Wednesday, 20 November 2024 to shareholders whose names appear on the register of members of the Company on Wednesday, 6 November 2024.

In the first half of 2024, the Company has completed share buy-back of HK\$387 million. The Board has approved a further share buy-back of up to HK\$1,000 million. The share buy-back, subject to market conditions, is expected to be completed before the conclusion of annual general meeting to be held in 2025. The share buy-back will be conducted pursuant to the general mandate granted to the Board by the shareholders of the Company at the annual general meeting held on 28 May 2024. The shares bought back will be cancelled.

The Board is of the view that it is in the best interests of the Company and the shareholders as a whole to conduct the share buy-back. Under the current uncertain market conditions, the share buy-back will demonstrate the Company's confidence in its business prospects and enhance shareholders' returns.

Including the interim dividend and share buy-backs mentioned above, the Company's total return to shareholders will reach HK\$3,285 million.

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 Medicine, 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 built an internationalised R&D team with more than 2,000 professionals and key R&D centres located in Shijiazhuang, Shanghai, Beijing and the US respectively, focusing on the key therapeutic areas such as oncology, psychiatry and neurology, cardiovascular, immunology and respiratory, digestion and metabolism, and anti-infectives. Eight innovative technology R&D platforms have been established, encompassing nano-formulation, messenger RNA (mRNA), small interfering RNA (siRNA), antibodies/fusion proteins, cell therapy and antibody-drug conjugates (ADC), which provide strong support for the R&D in innovative drugs. The Group currently has approximately 130 innovative drug projects under development, including over 40 large molecule projects, over 40 small molecule projects and over 40 new preparation projects. It is expected that approximately 50 new products/new indications will be filed for marketing approval in the next 5 years, which will provide continuous momentum for the Group's development.

Management Discussion and Analysis

The Group has strong commercialisation capabilities. It currently has established a professional sales team of over 10,000 individuals, with extensive coverage in medical institutions across the country. We are now actively stepping up our efforts in lower-tier market penetration and developing the potential of county-level markets to provide quality drugs to the grass roots. Through patient-centric and clinical-data driven academic promotion, the Group's sales team has successfully nurtured a number of market-leading core products. The Group's strong sales team and successful commercialisation experience will safeguard the sales performance of its innovative drugs on the market.

Business Review

Finished Drug Business

In the first half of 2024, the finished drug business maintained stable. The Group continued to adopt the strategies of hospital development, lower-tier market penetration, retail channel expansion, expansion of clinical applications and professional academic promotion to drive the growth of finished drug products. During the period, market development of newly launched products commenced in an orderly manner, bringing new growth momentum.

The finished drug business recorded a revenue of RMB13,549 million in the first half of year, representing a year-on-year increase of 4.8%. Sales by major therapeutic areas are as follows:

Therapeutic Area	Sales (RMB' million)	Change
Nervous system	5,236	+15.0%
Oncology	2,683	-10.2%
Anti-infectives	2,307	+7.7%
Cardiovascular	1,229	-4.5%
Respiratory system	756	-13.5%
Digestion and metabolism	647	+55.4%
Others	691	+8.3%

Nervous System

Major products include NBP (恩必普®) (butylphthalide soft capsules and butylphthalide and sodium chloride injection), Mingfule (明復樂®) (recombinant human TNK tissue-type plasminogen activator for injection), Shuanling (舒安靈®) (pentoxifylline extended-release tablets and pentoxifylline injection), Enliwei (恩理維®) (lacosamide injection and lacosamide tablets), Enxi (恩悉®) (pramipexole dihydrochloride tablets), Oulaining (歐來寧®) (oxiracetam capsules and oxiracetam for injection) and Oushuan (歐舒安®) (paliperidone extended-release tablets).

In the first half of 2024, NBP's growth continued, while the marketing approval of a new indication of Mingfule for the treatment of acute ischemic stroke patients provided a new growth driver.

- NBP is a Class 1 new chemical drug and a patent-protected exclusive product indicated for the treatment of acute ischemic stroke. The product is recommended by many professional organisations and guidelines and is one of the major drugs for this indication. A number of key studies, including the BAST study, have been published successively in the first half of 2024 to provide new marketing points and evidence-based support to drive product's continuous growth.

Management Discussion and Analysis

- Mingfule is a third-generation thrombolytic drug with its own intellectual property rights. The market potential of the product has been expanded through extension of indication from the field of cardiovascular to nervous system. The product is the first of its kind to be approved in China for the thrombolytic treatment in patients with acute ischemic stroke and has been included in the *Chinese Guidelines for Clinical Management of Cerebrovascular Diseases 2023* (《中國腦血管病臨床管理指南2023》) and the *Chinese Guidelines for Endovascular Treatment of Acute Ischemic Stroke 2023* (《急性缺血性卒中血管內治療中國指南2023》). The product has also received the highest level of award (Class I recommendation, level of evidence A) in the *Chinese Guidelines for Diagnosis and Treatment of Acute Ischemic Stroke 2023* (《中國急性缺血性卒中診治指南2023》) published by the Chinese Medical Association Neurology Branch (中華醫學會神經病學分會) in June 2024. This honour demonstrates the excellent efficacy and safety of Mingfule in this indication and lays a solid foundation for its wider application in the field of neurology.
- Shuanling is a non-selective phosphodiesterase inhibitor that can comprehensively improve microcirculation through multiple mechanisms of action. The market potential has further expanded with the doctors at tiered-hospitals having an enhanced understanding of the product and the continuous penetration into lower-tier markets.
- Enxi is a drug used for the treatment of the signs and symptoms of adult idiopathic Parkinson's disease and has been selected in volume-based procurement (VBP). During the period, the market coverage has further expanded through lower-tier market penetration and retail channel expansion.
- Oushuan, a drug used for the treatment of schizophrenia, has the lowest daily treatment cost among paliperidone products currently available. Its marketing initiatives are in progress.

Oncology

Major products include Jinyouli (津優力[®]) (PEG-rhG-CSF injection), Duomeisu (多美素[®]) (doxorubicin hydrochloride liposome injection), Keaili (克艾力[®]) (paclitaxel for injection (albumin-bound)), Duoenyi (多恩益[®]) (irinotecan hydrochloride liposome injection), Duoenda (多恩達[®]) (mitoxantrone hydrochloride liposome injection), Jinlitai (津立泰[®]) (narlumobart injection) and Geruite (戈瑞特[®]) (lenvatinib mesilate capsules).

As affected by the VBP of pharmaceutical products in the Beijing-Tianjin-Hebei "3+N" Alliance, the sales of Jinyouli and Duomeisu declined during the period, while the sales of new products such as Duoenyi, Duoenda and Geruite increased rapidly.

- Jinyouli is the first long-acting white blood cell booster drug developed in China. It is a Class 1 new therapeutic biological drug used to prevent and treat incidence of infection and pyrexia due to low neutrophil count in patients receiving chemotherapy. The product is unanimously recommended by domestic and foreign guidelines and has won multiple national awards. Marketing efforts currently 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 VBP regions.
- Duomeisu is a drug 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. The Group will continue to conduct professional academic promotion, enhance lower-tier market penetration and increase market coverage.

Management Discussion and Analysis

- Keaili is a new-generation paclitaxel chemotherapy drug with recommendation in domestic and foreign guidelines and expert consensus for therapeutic areas such as breast cancer, lung cancer, ovarian cancer, gastric cancer, pancreatic cancer and esophageal cancer. The Group will fully leverage on Keaili's low-price advantage to promote its usage in more therapeutic areas, continue to promote the replacement of conventional paclitaxel drugs and expand the market potential through enhancing lower-tier market penetration.
- Duoenyi is the first generic irinotecan hydrochloride liposome injection in China. It was approved in September 2023 for use in combination with 5-fluorouracil (5-FU) and leucovorin (LV) for the treatment of patients with metastatic pancreatic cancer that has progressed after receiving gemcitabine treatment. The product is recommended by the CSCO, China Anti-Cancer Association (CACA) and NCCN guidelines, where the CSCO Guidelines recommend the combination regimen as a Class I recommendation for the second-line and above treatment of metastatic pancreatic cancer and for inclusion in the first-line treatment of pancreatic cancer. The marketing efforts of the product currently focus on gastrointestinal stromal tumors, including pancreatic cancer, biliary tract tumors, colorectal cancer and other solid tumors.
- Duoenda, a Class 2 new chemical drug developed by the Group for the treatment of relapsed/refractory peripheral T-cell lymphoma, is the world's first mitoxantrone liposomal drug on the market with patents in several countries. The product was launched in 2022 and was included in the National Reimbursement Drug List (NRDL) in December 2023. In April 2024, the *2024 Chinese Society of Clinical Oncology Guidelines for Malignant Hematologic Diseases* (《中國臨床腫瘤學會惡性血液病指南2024》) added mitoxantrone liposomes in combination with cytarabine or etoposide as a Class III recommendation for the treatment of relapsed and refractory acute myeloid leukaemia (AML). Through professional academic promotion and continuous provision of supplemental medical evidence, the product has received positive market response since its launch. Currently, the product is under active exploration and research in 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.
- Jinlitali is a Class 1 new therapeutic biological drug with marketing approval obtained in September 2023. It is the world's first IgG4 RANKL inhibitor developed by the Group, and is used for giant cell tumor of bone, tumor bone metastasis and the treatment of osteoporosis. Compared with denosumab, it has a faster onset of action (median time to tumor response of 0.95 month for narlumosbart compared to 3.1 months for denosumab) and good safety profile (incidence of skeletal-related events is only 3.1% and incidence of grade ≥ 3 hypocalcemia is lower). Narlumosbart has been included in the recommendation of the *Chinese Clinical Guidelines on Diagnosis and Treatment of Lung Cancer Bone Metastasis (2024 Edition)* (《中國肺癌骨轉移臨床診療指南(2024版)》). The Group has set up a dedicated sales team to actively initiate marketing activities to promote the product and strive for rapid market coverage. Currently, the product is also under active exploration and research in the fields of bone metastasis in solid tumor, multiple myeloma bone disease and osteoporosis.
- Geruite is indicated for patients with unresectable hepatocellular carcinoma who have not received systemic therapy, and patients with progressive, locally advanced or metastatic radioactive iodine-refractory differentiated thyroid cancer. It is recognised by the CSCO, CACA and NCCN guidelines. The focus of Geruite is currently on liver cancer, and at the same time, expanding into endometrial cancer, kidney cancer, thyroid cancer, biliary tract tumors and other tumor types.

Management Discussion and Analysis

Anti-infectives

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 (先曲®) (ceftriaxone sodium for injection), Xianwu (先伍®) (cefazolin sodium for injection), Zhongnuo Lixin (中諾立新®) (cefuroxime sodium for injection) and Weihong (維宏®) (azithromycin tablets/capsules/enteric tablets, azithromycin for injection).

During the period, the market demand for anti-infective products continued to grow steadily, while the sales of Anfulike increased significantly through continuous academic promotion to enhance doctors' understanding of the clinical advantage of the product.

- 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 after passing a priority review in March 2021 for the treatment of patients with invasive fungal infections. With modification of the product's lipid structure, the incidence of nephrotoxicity and hypokalaemia is reduced. It can be used by patients with renal impairment or drug toxicity which precludes the use of effective dose of amphotericin B, or patients who have failed in prior amphotericin B deoxycholate treatment. Anfulike has high accessibility as it has been included in the NRDL. The Group strives to enhance doctors' understanding of the clinical advantage of the product, expand its market coverage and develop its clinical application in hematology, severe illness, respiratory and infection departments to achieve sales growth.

Cardiovascular

Major products include Xuanning (玄寧®) (maleate levamlodipine tablets and dispersible tablets), Encun (恩存®) (clopidogrel bisulfate tablets), Daxinning (達新寧®) (dronedarone hydrochloride tablets), Abikang (阿比康®) (aspirin enteric tablets), Yishuning (意舒寧®) (nifedipine controlled-release tablets), Mingfule (明復樂®) (recombinant human TNK tissue-type plasminogen activator for injection) and Meiluolin (美洛林®) (ticagrelor tablets).

During the period, the sales of Xuanning declined due to the impact of VBP, while the sales of Encun, Yishuning and Daxinning continued to record favourable growth.

- 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 other levamlodipine products on the market in the eighth batch of national VBP in 2023, the sales of Xuanning have been adversely affected. The Group is now adopting all-channel promotion strategy to deepen the expansion into lower-tier and private markets, and enhance promotion in online sales channel.
- Encun is a platelet aggregation inhibitor, which is mainly used to prevent atherosclerotic thrombotic events such as myocardial infarction and ischemic stroke. The product is the only domestically produced clopidogrel in China that has obtained the US FDA approval and was included in the first batch of the national VBP expansion. In the future, we will actively respond to the national VBP policy and strengthen lower-tier market penetration to further improve accessibility.

Management Discussion and Analysis

- Mingfulu is a third-generation thrombolytic drug with its own intellectual property rights, focusing on the thrombolysis treatment in patients with acute myocardial infarction within 6 hours of onset. It is a preferred thrombolytic drug recommended by authoritative guidelines, including the *Guidelines for the Rational Medication for Thrombolytic Treatment of Acute ST-Segment Elevation Myocardial Infarction (2nd Edition)*, *Chinese Expert Consensus on Microcirculation Protection Strategies for Emergency PCI in Patients with ST-Segment Elevation Myocardial Infarction*, and *Chinese Expert Consensus on Prehospital Thrombolytic Therapy for ST-Segment Elevation Myocardial Infarction*, occupying a leading position in the cardiovascular emergency field.

Respiratory System

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).

In the first half of 2024, benefiting from effective promotion strategies and strong market demand, the sales of Yiluoda and Nuoyian increased significantly, while the sales of Qixiao decreased due to a decline in market demand.

- 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). Sales of the product have grown steadily since its launch in 2022. In January 2024, the indication of nintedanib esilate soft capsules for the treatment of PF-ILD was included in the NRDL. This is the third indication of the product being included in the NRDL (after idiopathic pulmonary fibrosis and SSc-ILD), which further improves the product's accessibility.
- Qixin is the preferred drug for the prevention and treatment of influenza, and was included in the NRDL and essential drug list. The product was selected in the seventh batch of national VBP in July 2022.

Digestion and Metabolism

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

Benefiting from effective promotional strategies and market demand, the sales in the digestion and metabolism field during the period increased significantly as compared to the same period last year, with the growth of Oubeituo and Debixin being particularly significant.

- Oubeituo is indicated for acid-related disorders such as gastro-esophageal reflux disease, stomach ulcers caused by non-steroidal anti-inflammatory drugs (NSAIDs), and the eradication of *Helicobacter pylori* (Hp) in combination with antibiotics. It has been widely recommended by the *Chinese Journal of Gastroenterology* (《中華消化雜誌》) and the *Chinese Journal of General Practitioners* (《中華全科醫師雜誌》). Through a wide range of patient services (such as free Hp screening, patient disease knowledge education, etc.) to enhance brand influence and patient awareness of medication, Oubeituo has achieved rapid sales growth and become a leading brand among esomeprazole drugs in China.

Management Discussion and Analysis

Other Therapeutic Areas

Major products include Oubida (歐必達[®]) (apremilast tablets), Gujie (固杰[®]) (tofacitinib citrate extended-release tablets), Gubang (固邦[®]) (alendronate sodium tablets/enteric tablets), Xianpai (先派[®]) (omeprazole sodium for injection) and Qimaite (奇邁特[®]) (tramadol hydrochloride tablets).

Bulk Product Business

In the first half of 2024, the bulk product business recorded sales of RMB1,855 million, a year-on-year decrease of 5.8%.

- Sales of vitamin C products amounted to RMB984 million, a year-on-year decrease of 5.4%, which was mainly due to the decline in market demand during the period. With the gradual adjustment of market supply, selling prices slowly recovered during the period. The Group will adjust its sales strategies in accordance with the changes in market conditions, and at the same time proactively enhance its overseas sales networks to further increase market share.
- Sales of antibiotic products amounted to RMB871 million, a year-on-year decrease of 6.4%, which was mainly affected by the decrease in demand in overseas markets. The Group will be market-oriented, continue to improve its product chain and optimise the sales, production, quality and registration processes in order to enhance its ability to develop high-end markets.

Functional Food and Others Business

In the first half of 2024, the functional food and others business recorded sales of RMB880 million, a year-on-year decrease of 25.2%, which was mainly affected by the decrease in the price of caffeine products.

Research and Development

R&D expenses for the first half of 2024 increased by 10.3% to RMB2,542 million as compared with the same period last year, accounting for approximately 18.8% of the revenue from the finished drug business. Currently, more than 60 key drug candidates have entered into clinical trial or registration stage, of which 7 candidates have filed marketing approval application and 19 products (22 indications) have entered pivotal clinical trial stage.

Management Discussion and Analysis

Regulatory Updates

Since the beginning of the year, 2 innovative drugs (additional indication) have obtained marketing approval, 22 innovative drug candidates have obtained clinical trial approval and 5 generic drugs have obtained drug registration approval in China; and 3 innovative drug candidates have obtained clinical trial approval in North America.

China

- In February 2024, Mingfule (明復樂[®]) (recombinant human TNK tissue-type plasminogen activator for injection) (rhTNK-tPA) obtained marketing approval for the thrombolytic treatment in patients with acute ischemic stroke. It is the first approval for this indication of this product type in China, and the second approved indication of the product.
- In June 2024, Enshuxing (恩舒幸[®]) (recombinant fully human anti-PD-1 monoclonal antibody) obtained conditional marketing approval for the treatment of recurrent or metastatic cervical cancer patients with positive PD-L1 (CPS \geq 1) expression who have previously failed to respond to platinum-based chemotherapy.
- 10 innovative drug candidates have obtained clinical trial approval for their first indications and 12 additional indications have obtained clinical trial approval:

First Indication

Drug Candidate	Indication
JMT202 (mAb)	Lowering of triglyceride (TG) levels in patients with hypertriglyceridemia
SYS6023 (ADC)	Advanced solid tumors
SYH2039 (MAT2A)	Advanced malignant tumors
Dexmedetomidine hydrochloride nasal spray	Sedation before invasive procedures
Pilocarpine hydrochloride eye drops	Presbyopia
Pregabalin extended-release tablets	Neuropathic pain associated with diabetic peripheral neuropathy
Semaglutide injection	Weight management
SYS6020 injection (CAR-T)	Recurrent or refractory multiple myeloma
Aprepitant injection	Prevention of nausea and vomiting after surgery in adults
SYS6016 injection (mRNA vaccine)	Prevention of lower respiratory tract diseases caused by RSV infections

Management Discussion and Analysis

Additional Indication

Drug Candidate

Indication

SYSA1801 injection	In combination with CAPOX and SG001 or with irinotecan hydrochloride liposome injection for first-line and second-line treatment of Claudin18.2-positive gastric cancer
JMT101 injection	In combination with docetaxel (albumin-bound) for treatment of second-line and above EGFR lung squamous cell carcinoma
Simmitinib hydrochloride tablets	In combination with irinotecan liposome for the treatment of advanced esophageal cancer
Sirolimus for injection (albumin-bound)	In combination with endocrine therapy for the treatment of HR-positive HER2-negative advanced breast cancer after failure of standard therapy
Docetaxel for injection (albumin-bound)	In combination with glumetinib for the treatment of locally advanced/recurrent or distant metastasis MET-overexpression non-small cell lung cancer
SYH2043 tablets	In combination with fulvestrant for the treatment of advanced breast cancer
Cisplatin micelle injection	In combination with paclitaxel for the treatment of advanced solid tumors
Octreotide long-acting injection	Gastroenteropancreatic neuroendocrine tumors
Irinotecan liposome injection	In combination with oxaliplatin and tegafur for adjuvant treatment of pancreatic cancer
DP303c injection	In combination with simmitinib hydrochloride or irinotecan liposome for the treatment of HER2-expressing locally advanced or metastatic gastric adenocarcinoma or gastroesophageal junction adenocarcinoma
Simmitinib hydrochloride tablets	In combination with DP303c injection for the treatment of HER2 low-expressing recurrent/metastatic breast cancer
SYS6002 for injection (Nectin-4 ADC)	In combination with recombinant fully human anti-PD-1 monoclonal antibody injection for the treatment of advanced solid tumors

- Since the beginning of the year, a total of 5 generic drugs have obtained drug registration approval, namely dapagliflozin tablets, peramivir injection, olaparib tablets, palbociclib tablets and roxadustat capsules.

Management Discussion and Analysis

North America

- In January 2024, JMT106 injection (bispecific fusion protein targeting GPC3 and interferon receptors) obtained clinical trial approval in the US.
- In April 2024, SYH2039 tablets (MAT2A inhibitor) obtained clinical trial approval in the US.
- In July 2024, SYS6023 (ADC) obtained clinical trial approval in the US.

Major Clinical Trials Progress

DP303c (recombinant humanised anti-HER2 monoclonal antibody-MMAE conjugate for injection)

- In February 2024, the phase III trial for the treatment of second-line and above HER2-positive advanced breast cancer was initiated in China. The study is currently in the enrollment stage.

Daunorubicin cytarabine liposome for injection

- In February 2024, the phase III trial for the treatment of high-risk secondary AML in the elderly patients who have not been previously treated was initiated in China. The study is currently in the enrollment stage.

Docetaxel for injection (albumin-bound)

- In February 2024, the phase III clinical study comparing to Taxotere® for the treatment of locally advanced or metastatic gastric adenocarcinoma or gastroesophageal junction adenocarcinoma that has previously failed first-line treatments was initiated in China. The study is currently in the enrollment stage.

Semaglutide injection

- In February 2024, the phase III clinical study for the treatment of type 2 diabetes was initiated in China. The study is currently in the enrollment stage.

JMT103 (narlumosbart injection)

- In March 2024, the phase III trial for the treatment of bone metastasis of malignant solid tumors was initiated in China. The study is currently in the enrollment stage.

SYHX2011 (paclitaxel for injection (albumin-bound) II)

- In March 2024, subject enrollment of the phase III trial for the treatment of advanced breast cancer initiated in China was completed.

Pregabalin extended-release tablets

- In May 2024, the phase III trial for neuropathic pain associated with diabetic peripheral neuropathy was initiated in China. The study is currently in the enrollment stage.

Management Discussion and Analysis

Secukinumab injection

- In June 2024, the phase III trial comparing to Cosentyx® for the treatment of moderate-to-severe plaque psoriasis was initiated in China. The study is currently in the enrollment stage.

TG103 injection (GLP-1 receptor agonists)

- In January 2024, subject enrollment of the phase III trial for the treatment of overweight and obesity initiated in China was completed.
- In April 2024, the phase III clinical study for the treatment of type 2 diabetes was initiated in China. The study is currently in the enrollment stage.

JMT101 (recombinant humanised anti-epidermal growth factor receptor monoclonal antibody injection)

- In April 2024, the phase III trial of JMT101 in combination with osimertinib comparing to cisplatin in combination with pemetrexed for the treatment of NSCLC patients with first-line EGFR exon 20 insertion mutations was initiated in China. The study is currently in the enrollment stage.

Publication of Major Clinical Trial Results

SYS6002 for injection (anti-Nectin-4 monoclonal antibody-drug conjugate)

- In January 2024, the results of a phase I clinical study for the treatment of advanced solid tumors were presented at the 2024 ASCO-GU Conference (No. B622). Preliminary results indicated that SYS6002 demonstrates clear efficacy signals and good tolerability in advanced solid tumors such as cervical cancer and urothelial cancer.
- In May 2024, the results of a phase I clinical study for the treatment of advanced solid tumors were presented in a poster session at the 2024 ASCO Conference (No. 3151). Preliminary results indicated that SYS6002 demonstrates clear efficacy signals and good tolerability in patients with advanced solid tumors.

DBPR108 (prusogliptin tablets)

- In January 2024, the results of a phase III clinical study of the monotherapy for the treatment of diabetes were published in the international journal *Diabetes, Obesity & Metabolism*. The results demonstrated that the hypoglycemic efficacy of DBPR108 tablets is significantly better than the placebo group and non-inferior to the active group of sitagliptin phosphate tablets. In addition, the safety profile of DBPR108 tablets is similar to the placebo group and the active group of sitagliptin phosphate tablets.

Duentai (SARS-CoV-2 mRNA vaccine)

- From February 2024 to March 2024, multiple clinical study results of the first-generation COVID-19 mRNA vaccine were published in international journals *Emerging Microbes & Infections*, *Vaccine* and *Journal of Medical Virology*, respectively, demonstrating that the vaccine has good protective efficacy and immunogenicity as well as a good safety profile, and that it has a certain protective effect against XBB mutant strains.
- In March 2024, the results of a phase I clinical study of the bivalent COVID-19 mRNA vaccine (XBB.1.5/BQ.1) (SYS6006.32) were published in the international journal *Vaccine*, demonstrating that the vaccine has a good safety profile and good immunogenicity, and can produce cross-immunity against multiple mutant strains.

Management Discussion and Analysis

JMT101 (recombinant humanised anti-epidermal growth factor receptor monoclonal antibody injection)

- In March 2024, the results of a phase II clinical trial (BECOME) of JMT101 in combination with osimertinib for the treatment of patients with locally advanced or metastatic NSCLC carrying EGFR exon 20 insertion mutations were orally presented at the European Lung Cancer Congress 2024 (2024 ELCC), demonstrating the high potential efficacy of JMT101 in combination with osimertinib in NSCLC patients with EGFR exon 20 insertion mutations, and a controllable safety profile.

TG103 injection (GLP-1 receptor agonists)

- In April 2024, the results of a phase Ib clinical study of the monotherapy for overweight or obesity without type II diabetes were published in the international journal *BMC Medicine*. The results indicated that the weight-reducing efficacy of TG103 monotherapy is significantly better than the placebo group.

SG001 (enlonstobart injection)

- In May 2024, the results of a phase Ib clinical study of SG001 monotherapy for recurrent or metastatic cervical cancer were published in the international journal *Cancer Communications*. The results indicated that SG001 monotherapy demonstrates good efficacy with a controllable safety profile, and that it has great potential for future combination treatments in recurrent or metastatic cervical cancer.
- In May 2024, the results of a phase II clinical study of SG001 monotherapy for recurrent or metastatic cervical cancer were presented in a poster session at the 2024 ASCO Annual Conference (No. 5526). The study results indicated that SG001 monotherapy demonstrates durable anti-tumor activity and an acceptable safety profile in patients with PD-L1 positive recurrent/metastatic cervical cancer.

Simmitinib hydrochloride tablets

- In May 2024, the results of a phase I clinical study of simmitinib hydrochloride tablets for the treatment of advanced solid tumors were presented in a poster session at the 2024 ASCO Annual Conference (No. 3109). Preliminary study results indicated that simmitinib hydrochloride tablets have a controllable safety profile and demonstrates good efficacy in patients with esophageal squamous cell carcinoma.

JMT103 (narlumobart injection)

- In May 2024, the results of a phase Ib clinical study of JMT103 for the treatment of bone metastasis of solid tumors were presented online at the 2024 ASCO Annual Conference (No. e15190). Preliminary study results indicated that JMT103 has low immunogenicity and a good safety profile, and demonstrates good efficacy in reducing biomarkers of bone metabolism.

Docetaxel for injection (albumin-bound)

- In May 2024, the results of a phase II clinical study of docetaxel albumin for the treatment of gastric adenocarcinoma or gastroesophageal junction adenocarcinoma were presented online at the 2024 ASCO Annual Conference (No. e16018). Preliminary study results indicated that docetaxel albumin has a controllable safety profile and demonstrates good efficacy in patients with gastric adenocarcinoma or gastroesophageal junction adenocarcinoma.

Management Discussion and Analysis

Clinical Pipeline Overview

Registration and Pivotal Trial Stage

Drug candidate	Type	Target	Indication(s)	Status
Prusogliptin tablets (DBPR108)	Chemical drug	DPP-4 inhibitor	Type 2 diabetes	Marketing approval application submitted
Recombinant anti-IgE monoclonal antibody for injection	Biological drug (monoclonal antibody)	Anti-IgE monoclonal antibody	Chronic spontaneous urticaria	Marketing approval application submitted
Meloxicam nanocrystal injection	Nanodrug	Selective COX-2 inhibitor	Moderate-to-severe pain in adults	Marketing approval application submitted
Amphotericin B liposome for injection	Nanodrug	Anti-infective, nonspecific drug	Invasive fungal infection	Marketing approval application submitted (China and US)
Irinotecan hydrochloride liposome injection	Nanodrug	Topoisomerase inhibitor	Pancreatic cancer	Marketing approval application submitted (US)
Clevidipine butyrate injectable emulsion	Nanodrug	Calcium channel blocker	Hypertension	Marketing approval application submitted
Batoclimab (HBM9161)	Biological drug (monoclonal antibody)	FcRn	Myasthenia gravis	Marketing approval application submitted
Recombinant humanised anti-HER2 monoclonal antibody – MMAE conjugate injection (DP303c)	Biological drug (ADC)	HER2 receptor (ADC)	Breast cancer	Pivotal trial
Recombinant humanised anti-epidermal growth factor receptor monoclonal antibody injection (JMT101)	Biological drug (monoclonal antibody)	EGFR	Non-small cell lung cancer	Pivotal trial
KN026 injection	Biological drug (bispecific antibody)	HER2 bispecific antibody	Gastric cancer/Breast cancer	Pivotal trial
Pertuzumab injection	Biological drug (monoclonal antibody)	HER2	Breast cancer	Pivotal trial
TG103 injection	Biological drug (monoclonal antibody)	GLP-1 receptor agonist	Obesity and overweight/Diabetes	Pivotal trial
CM310 injection	Biological drug (monoclonal antibody)	Anti-IL-4R α monoclonal antibody	Asthma	Pivotal trial

Management Discussion and Analysis

Drug candidate	Type	Target	Indication(s)	Status
Ustekinumab injection (SYSA1902)	Biological drug (monoclonal antibody)	IL-12/IL-23p40	Psoriasis	Pivotal trial
SYHX2011	Nanodrug	Microtubule inhibitor	Breast cancer	Pivotal trial
Daunorubicin cytarabine liposome for injection	Nanodrug	RNA/DNA polymerase inhibitor	Leukemia	Pivotal trial
Docetaxel for injection (albumin-bound)	Nanodrug	Microtubule inhibitor	Gastric cancer/ Pancreatic cancer	Pivotal trial
Semaglutide injection	Chemical drug	GLP-1Ra/GLP-1 receptor agonist	Diabetes	Pivotal trial
Mitoxantrone hydrochloride liposome injection	Nanodrug	Cell-cycle nonspecific drug	Nasopharyngeal cancer	Pivotal trial
Narlumosbart injection (JMT103)	Biological drug (monoclonal antibody)	RANKL	Bone metastasis of malignant solid tumors	Pivotal trial
Pregabalin extended-release tablets	Chemical drug	γ -GABA analogue	Neuropathic pain associated with diabetic peripheral neuropathy	Pivotal trial
Pilocarpine hydrochloride eye drops	Chemical drug	Cholinergic muscarinic agonist	Presbyopia	Pivotal trial
Secukinumab injection	Biological drug (monoclonal antibody)	IL-17 monoclonal antibody	Psoriasis	Pivotal trial
SYHX1901 tablets	Chemical drug	JAK&SYK dual-target inhibitor	Psoriasis	Pivotal trial
Aprepitant injection	New preparation	NK-1 receptor antagonist	Prevention of nausea and vomiting after surgery	Pivotal trial
Sirolimus for injection (albumin-bound)	Nanodrug	mTOR inhibitor	Perivascular epithelioid cell tumor (PEComa)	Pivotal trial

Patents

Since the beginning of 2024, 30 international PCT applications and 154 patent applications (95 domestic and 59 overseas) have been filed, and 52 patents (28 domestic and 24 overseas) have been granted. As of 31 July 2024, the Group has cumulatively filed 192 international PCT applications and 1,948 patent applications (1,279 domestic and 669 overseas) and has been granted 951 patents (633 domestic and 318 overseas).

Financial Review

Financial Results

Revenue and Gross Profit Margin

Revenue for the first half of 2024 amounted to RMB16,284 million, an increase of 1.3% compared to RMB16,080 million in the first half of 2023. Gross profit margin for the period increased by 1.7 percentage point to 71.6%, which was mainly attributable to a higher proportion of revenue from the finished drug business.

Other Income

Other income for the first half of 2024 amounted to RMB315 million (first half of 2023: RMB249 million), mainly consisting of interest income on bank deposits and balances of RMB125 million (first half of 2023: RMB125 million), government grant income of RMB49 million (first half of 2023: RMB60 million) and agency income of RMB42 million (first half of 2023: RMB6 million).

Other Gains or Losses, Net

A net loss of RMB108 million was reported in the first half of 2024 (first half of 2023: net gain of RMB20 million), mainly consisting of fair value loss on financial assets measured at FVTPL of RMB84 million (first half of 2023: loss of RMB91 million), net foreign exchange loss of RMB14 million (first half of 2023: gain of RMB85 million) and fair value gain on structured bank deposits of RMB23 million (first half of 2023: gain of RMB58 million).

Operating Expenses

Selling and distribution expenses for the first half of 2024 amounted to RMB4,777 million, a decrease of 2.5% compared to RMB4,902 million in the first half of 2023. During the period, the Group continued to expand the market coverage of its products and actively promote newly launched products. With enhanced efficiency of marketing activities, a lower expense ratio was achieved.

Administrative expenses for the first half of 2024 amounted to RMB633 million, an increase of 18.1% compared to RMB536 million in the first half of 2023, which was mainly due to the increase in staff costs.

R&D expenses for the first half of 2024 amounted to RMB2,542 million, an increase of 10.3% compared to RMB2,304 million in the first half of 2023, which was primarily attributable to the increased spending on ongoing and newly initiated clinical trials.

Income Tax Expense

Income tax expense for the first half of 2024 amounted to RMB750 million (first half of 2023: RMB624 million), which represented provision of income tax expense based on the taxable profit of the subsidiaries and PRC withholding tax on dividend distributions by the subsidiaries.

Management Discussion and Analysis

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.

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	
	2024 (RMB'000)	2023 (RMB'000)
Profit attributable to shareholders	3,020,374	2,966,987
Adjustment for:		
– Fair value loss on financial assets measured at FVTPL (<i>note a</i>)	84,071	90,824
– Employee share-based compensation expense (<i>note b</i>)	118,237	109,536
– Effect of corresponding income tax	(5,812)	(5,486)
Underlying profit attributable to shareholders	3,216,870	3,161,861

Notes:

- (a) Fair value changes on financial assets measured at FVTPL arises from the measurement of the Group’s investments in certain partnerships, funds and listed equity securities at fair value.
- (b) Of the total employee share-based compensation expense recognised during the period, RMB98,618,000 (first half of 2023: RMB94,251,000) 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 2024, the Group’s operating activities generated a cash inflow of RMB1,425 million (first half of 2023: RMB1,320 million). Turnover days of trade receivables (ratio of balance of trade receivables to sales, inclusive of value added tax for sales in China) was 70 days, higher than 63 days in 2023, which was mainly due to the slower settlement by customers during the 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 129 days, slightly higher than 124 days in 2023. Current ratio was 2.5 as of 30 June 2024, which remains stable as compared to 2.6 as at the end of 2023. Capital expenditure for the period amounted to RMB629 million, which was mainly spent to construct production facilities and improve production efficiency.

Management Discussion and Analysis

The Group's financial position remained solid. As of 30 June 2024, the Group had bank deposits, balances and cash of RMB9,885 million (31 December 2023: RMB12,755 million), structured bank deposits of RMB2,442 million (31 December 2023: RMB1,077 million) and bank borrowings of RMB203 million (31 December 2023: RMB450 million). As of 30 June 2024, gearing ratio (ratio of bank borrowings to total equity) was 0.6% (31 December 2023: 1.3%).

The Group's sales are 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.

Pledge of Assets

As of 30 June 2024, bank deposits of RMB25 million have been pledged to secure short-term banking facilities granted to the Group.

Contingent Liabilities

The Group did not have any material contingent liabilities as of 30 June 2024.

Employees

The Group employed a total of 20,300 employees as of 30 June 2024, 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.

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 22 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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
21 August 2024

Condensed Consolidated Income Statement

For the six months ended 30 June 2024 – Unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Revenue	3	16,284,282	16,080,412
Cost of sales		(4,629,735)	(4,842,773)
Gross profit		11,654,547	11,237,639
Other income		314,988	248,811
Other gains or losses, net		(107,667)	20,126
Selling and distribution expenses		(4,777,410)	(4,902,391)
Administrative expenses		(632,842)	(535,640)
Research and development expenses		(2,541,991)	(2,303,611)
Other expenses		(34,851)	(54,155)
Share of results of associates		(27,239)	(16,248)
Share of results of joint ventures		(24,430)	(2,255)
Finance costs		(21,975)	(10,722)
Profit before tax	4	3,801,130	3,681,554
Income tax expense	5	(749,664)	(623,514)
Profit for the period		3,051,466	3,058,040
Profit for the period attributable to:			
Owners of the Company		3,020,374	2,966,987
Non-controlling interests		31,092	91,053
		3,051,466	3,058,040
		RMB cents	<i>RMB cents</i>
Earnings per share	6		
– Basic		25.51	24.95
– Diluted		25.51	24.95

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2024 – Unaudited

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit for the period	3,051,466	3,058,040
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	931,249	10,979
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(9,449)	7,077
Other comprehensive income for the period, net of income tax	921,800	18,056
Total comprehensive income for the period	3,973,266	3,076,096
Total comprehensive income for the period attributable to:		
Owners of the Company	3,942,174	2,985,043
Non-controlling interests	31,092	91,053
	3,973,266	3,076,096

Condensed Consolidated Statement of Financial Position

As at 30 June 2024 – Unaudited

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	8	10,488,048	10,416,599
Right-of-use assets	9	1,147,806	1,226,293
Investment property		57,779	59,432
Goodwill		234,904	234,904
Intangible assets	10	2,240,018	2,198,549
Interests in associates		801,276	786,085
Interests in joint ventures		730,921	682,351
Other financial assets	11	3,403,702	2,387,159
Deferred tax assets		216,763	186,776
Deposits, prepayments and other receivables	13	598,877	619,077
Bank deposits	16	1,510,000	740,000
		21,430,094	19,537,225
Current assets			
Inventories		3,270,713	3,138,664
Trade receivables	12	6,343,176	5,869,223
Deposits, prepayments and other receivables	13	751,199	672,655
Bills receivables	14	4,544,570	3,685,282
Amounts due from related companies	23	559,783	157,313
Amounts due from joint ventures	23	179,807	129,531
Structured bank deposits	15	2,442,314	1,077,054
Bank deposits, balances and cash	16	8,374,689	12,015,223
		26,466,251	26,744,945

Condensed Consolidated Statement of Financial Position

As at 30 June 2024 – Unaudited

	Note	30 June 2024 RMB'000	31 December 2023 RMB'000
Current liabilities			
Trade payables	17	2,543,392	2,426,115
Other payables	18	6,385,631	5,978,313
Contract liabilities		258,986	326,205
Bills payables	19	639,733	415,624
Amounts due to related companies	23	20,047	21,436
Amounts due to joint ventures	23	37,987	35,587
Lease liabilities		119,994	149,627
Tax liabilities		226,977	379,450
Bank borrowings	20	202,560	450,216
		10,435,307	10,182,573
Net current assets		16,030,944	16,562,372
Total assets less current liabilities		37,461,038	36,099,597
Non-current liabilities			
Other payables	18	350,580	399,684
Lease liabilities		66,316	107,058
Deferred tax liabilities		571,804	574,843
		988,700	1,081,585
Net assets		36,472,338	35,018,012
Capital and reserves			
Share capital	21	11,005,842	10,899,412
Reserves		23,845,122	22,303,796
Equity attributable to owners of the Company		34,850,964	33,203,208
Non-controlling interests		1,621,374	1,814,804
Total equity		36,472,338	35,018,012

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024 – Unaudited

	Equity attributable to owners of the Company							Equity attributable to non-controlling interests					
	Share capital RMB'000	Treasury share reserve RMB'000	Employee share-based compensation reserves RMB'000	Other reserves RMB'000 (note i)	Statutory reserves RMB'000 (note ii)	Capital contribution reserve RMB'000 (note iii)	Translation reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Employee share-based compensation reserve of a subsidiary RMB'000	Share of net assets of subsidiaries RMB'000	Sub-total RMB'000	Total RMB'000
At 1 January 2023	10,899,412	(83,710)	9,475	(4,037,818)	2,056,657	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 7)	-	-	-	-	-	-	-	(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	-	(254,348)	-	-	-	-	-	-	(254,348)	-	-	-	(254,348)
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
At 1 January 2024	10,899,412	(316,214)	28,346	(4,048,069)	2,209,844	390,526	4,503	24,034,860	33,203,208	6,722	1,808,082	1,814,804	35,018,012
Profit for the period	-	-	-	-	-	-	-	3,020,374	3,020,374	-	31,092	31,092	3,051,466
Other comprehensive income for the period, net of income tax	-	-	-	931,249	-	-	(9,449)	-	921,800	-	-	-	921,800
Total comprehensive income for the period	-	-	-	931,249	-	-	(9,449)	3,020,374	3,942,174	-	31,092	31,092	3,973,266
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	-	(1,531,855)	(1,531,855)	-	-	-	(1,531,855)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(98,496)	(98,496)	(98,496)
Purchase of shares under share award scheme	-	(299,711)	-	(222,742)	-	-	-	-	(522,453)	-	-	-	(522,453)
Recognition of employee share-based compensation expense	-	-	19,902	-	-	98,618	-	-	118,520	(283)	-	(283)	118,237
Repurchase of ordinary shares	-	-	-	-	-	-	-	(353,166)	(353,166)	-	-	-	(353,166)
Vesting of shares under share award scheme	-	3,884	(5,518)	-	-	-	-	1,634	-	-	-	-	-
Acquisition of additional interests in a subsidiary	-	-	-	-	-	-	-	(70,258)	(70,258)	-	(169,338)	(169,338)	(239,596)
Dilution of interest in subsidiaries	-	-	-	-	-	-	-	(41,636)	(41,636)	-	41,636	41,636	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	1,959	1,959	1,959
Transfer to statutory reserves	-	-	-	-	25,588	-	-	(25,588)	-	-	-	-	-
Proceeds from issuance of shares upon exercise of share options	106,430	-	-	-	-	-	-	-	106,430	-	-	-	106,430
At 30 June 2024	11,005,842	(612,041)	42,730	(3,339,562)	2,235,432	489,144	(4,946)	25,034,365	34,850,964	6,439	1,614,935	1,621,374	36,472,338

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, the accumulated changes in fair value of financial assets designated at fair value through other comprehensive income ("FVTOCI") and the treasury shares repurchased by CSPC Innovation Pharmaceutical Co., Ltd., a subsidiary of the Company listed on the Shenzhen Stock Exchange.
- (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"), 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 2024 – Unaudited

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net cash from operating activities	1,425,425	1,320,437
Net cash (used in)/from investing activities:		
Purchase of property, plant and equipment	(649,199)	(785,012)
Purchase of right-of-use assets	(2,300)	(2,747)
Refund of deposits paid for right-of-use assets	2,200	–
Purchase of intangible assets	(95,018)	(236,360)
Purchase of other financial assets	(22,619)	(512,649)
Capital injection to an associate	(47,500)	(9,000)
Capital injection to a joint venture	(93,000)	–
Placement of structured bank deposits	(1,697,000)	(790,000)
Withdrawal of restricted and pledged bank balances	10,864	41,709
Placement of bank deposits	(500,000)	(1,740,000)
Placement of pledged deposits	(11,914)	–
Withdrawal of structured bank deposits	354,507	2,797,849
Withdrawal of bank deposits	376,130	2,120,000
Dividend received from a joint venture	20,000	–
Dividend received from an associate	5,070	–
Proceeds from distribution of other financial assets	17,610	26,554
Interest received	124,782	124,805
Receipt of government grants related to acquisition of property, plant and equipment	24,079	54,896
Proceeds from disposal of property, plant and equipment	49,900	15,044
	(2,133,408)	1,105,089

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024 – Unaudited

	Note	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Net cash used in financing activities:			
Interest on lease liabilities		(4,551)	(7,682)
Payments of lease liabilities		(71,196)	(70,819)
Dividends paid to non-controlling interests		(98,496)	(26,003)
Dividends paid		(1,531,855)	(1,203,729)
Interest on bank borrowings		–	(2,180)
Advances drawn on bill receivables discounted with recourse		232,265	39,718
Repurchase of ordinary shares		(353,166)	(200,358)
Acquisition of additional interest in a subsidiary		(38,865)	(119,309)
Proceeds from issuance of shares upon exercise of share options		106,430	–
Capital contribution from non-controlling interests		1,959	488,127
Proceeds from issuance of preference shares of a subsidiary		–	59,187
Purchase of shares under share award scheme		(522,453)	(254,348)
Repayment of bank borrowings		(8,766)	(5,100)
		(2,288,694)	(1,302,496)
Net (decrease)/increase in cash and cash equivalents		(2,996,677)	1,123,030
Cash and cash equivalents at 1 January		10,490,845	8,000,852
Effect of foreign exchange rate changes		1,223	5,937
Cash and cash equivalents at 30 June, represented by bank balances and cash	16	7,495,391	9,129,819

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – 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 of Hong Kong Limited (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 2023 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 2023 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 accounting policies resulting from application of 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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the period, the Group has applied the following 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

3. Revenue and Segment Information

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Sale of goods	16,284,282	16,045,712
Licence fee income	–	34,700
	16,284,282	16,080,412

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.

Licence fee income

The Group provides licence of its patented intellectual property ("IP") or commercialisation licence to customers and revenue is recognised when the customers obtain rights to access or use the underlying IP or licence. Licence 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 licence 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.

The consideration for licence comprises a fixed element (the upfront payment) and variable elements (including but not limited to development milestones and royalties). For licence 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 licence 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.

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	
	2024 RMB'000	2023 RMB'000
Mainland China	14,256,973	13,841,284
Other Asian regions	643,601	823,567
Europe	692,788	691,814
North America	398,320	489,542
Others	292,600	234,205
	16,284,282	16,080,412

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

3. Revenue and Segment Information *(continued)*

(ii) Segment information

Information reported to 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 reportable segments of the Group are as follows:

- (a) Finished drugs — research and development, manufacture and sale of pharmaceutical products and licence 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), provision of healthcare services and others.

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

Six months ended 30 June 2024

	Finished	Bulk products		Functional	Segment	Eliminations	Consolidated
	drugs	Vitamin C	Antibiotics	food and			
	RMB'000	RMB'000	RMB'000	others	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE							
Sale of goods	13,549,079	983,900	870,894	880,409	16,284,282	-	16,284,282
Inter-segment sales	-	16,427	99,803	71,526	187,756	(187,756)	-
TOTAL REVENUE	13,549,079	1,000,327	970,697	951,935	16,472,038	(187,756)	16,284,282
SEGMENT PROFIT	3,488,515	67,623	186,195	174,924			3,917,257
Unallocated income							147,550
Unallocated expenses							(190,033)
Share of results of associates							(27,239)
Share of results of joint ventures							(24,430)
Finance costs							(21,975)
Profit before tax							3,801,130

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

3. Revenue and Segment Information *(continued)*

(ii) Segment information *(continued)*

Six months ended 30 June 2023

	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	12,899,014	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)	–
Licence fee income	34,700	–	–	–	34,700	–	34,700
TOTAL REVENUE	12,933,714	1,043,289	1,068,199	1,289,081	16,334,283	(253,871)	16,080,412
SEGMENT PROFIT	3,192,433	67,582	71,421	331,005			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							3,681,554

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 FVTPL, central administrative expenses, share of results of associates and joint ventures, and finance costs. 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 make 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

4. Profit Before Tax

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	494,710	415,596
Depreciation of right-of-use assets	81,568	84,240
Depreciation of investment property	1,653	1,652
Amortisation of intangible assets	53,600	30,412
Total depreciation and amortisation	631,531	531,900
Employee share-based compensation benefits (<i>note a</i>)	118,237	109,536
Government grant income (included in other income)	(49,243)	(60,180)
Agency income (included in other income)	(41,789)	(6,391)
Fair value loss on financial assets measured at FVTPL (included in other gains or losses)	84,071	90,824
Fair value gain on structured bank deposits (included in other gains or losses)	(22,768)	(58,415)
Impairment losses recognised under expected credit loss model (included in other gains or losses)	11,701	8,593
Interest income on bank deposits and balances (included in other income)	(124,782)	(124,805)
Loss on disposal of property, plant and equipment (included in other gains or losses)	13,539	23,659
Net foreign exchange loss/(gain) (included in other gains or losses)	14,371	(84,704)

Notes:

- (a) The amount mainly included employee share-based compensation expense of RMB19,902,000 (six months ended 30 June 2023: RMB13,981,000) in respect of share options and share awards granted by the Company and RMB98,618,000 (six months ended 30 June 2023: RMB94,251,000) in respect of share awards granted by a shareholder of the Company involving existing shares of the Company held by the shareholder.
- (b) For the six months ended 30 June 2024 and 2023, cost of inventories recognised as an expense approximated cost of sales as shown in the condensed consolidated income statement.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

5. Income Tax Expense

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Current taxation		
– PRC Enterprise Income Tax	726,935	601,557
– PRC withholding tax on dividends distributed by subsidiaries	213,500	103,126
– Overseas Taxation	6,680	8,007
	947,115	712,690
Deferred taxation	(197,451)	(89,176)
	749,664	623,514

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits for both periods.

The standard 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 High and New Technology Enterprises, and they are subject to a preferential tax rate of 15% up to 2026.

Under the EIT Law, dividends distributed by a company established in the PRC to foreign investor with respect to profits earned from 1 January 2008 onwards are subject to a withholding tax of 10%. The tax rate will be reduced to 5% if such foreign investors meet certain conditions specified in the relevant tax regulations. Deferred taxation has not been provided for in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB29,204,000,000 (31 December 2023: RMB25,308,000,000) 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in relevant jurisdictions.

The Group is operating in one of the jurisdictions where the Pillar Two Rules is effective. As the Group's estimated effective tax rates of such in-effect jurisdiction in which the Group operates is higher than 15%, after taking into account the adjustments under the Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the Group is not liable to top-up tax under the Pillar Two Rules.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

6. 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	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	3,020,374	2,966,987
Weighted average number of ordinary shares for the purpose of basic earnings per share (in '000)	11,838,461	11,892,763
Effect of dilutive potential ordinary shares:		
Share options and share awards (in '000)	233	504
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in '000)	11,838,694	11,893,267

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.

7. Dividends

(a) Interim dividend

The board of directors has declared the payment of an interim dividend of HK16 cents per share for 2024 (2023: HK14 cents (approximately RMB12.8 cents) amounting to approximately RMB1,529,135,000) 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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period of HK14.0 cents (approximately to RMB13.0 cents) (2023: HK11.0 cents (approximately to RMB10.1 cents)) per share	1,540,544	1,207,225
Less: Dividend for shares held by share award scheme	(8,689)	(3,496)
	1,531,855	1,203,729

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

8. Property, Plant and Equipment

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
At beginning of the period:		
Cost	15,828,820	14,201,375
Accumulated depreciation	(5,412,221)	(4,619,315)
Net carrying amount	10,416,599	9,582,060
At beginning of the period, net of accumulated depreciation	10,416,599	9,582,060
Additions	629,408	907,675
Disposals	(63,439)	(38,703)
Depreciation provided during the period	(494,710)	(415,596)
Exchange adjustments	190	1,791
At end of the period, net of accumulated depreciation	10,488,048	10,037,227
At end of the period:		
Cost	16,263,967	15,009,055
Accumulated depreciation	(5,775,919)	(4,971,828)
Net carrying amount	10,488,048	10,037,227

9. Right-of-Use Assets

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Net carrying amount at beginning of the period	1,226,293	1,394,859
Additions	2,548	7,148
Depreciation provided during the period	(81,568)	(84,240)
Exchange adjustments	533	3,589
Net carrying amount at end of the period	1,147,806	1,321,356

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

10. Intangible Assets

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
At beginning of the period:		
Cost	2,745,489	2,329,515
Accumulated amortisation and impairment loss	(546,940)	(421,403)
Net carrying amount	2,198,549	1,908,112
At beginning of the period, net of accumulated amortisation and impairment loss	2,198,549	1,908,112
Additions	95,018	386,360
Amortisation provided during the period	(53,600)	(30,412)
Exchange adjustments	51	462
At end of the period, net of accumulated amortisation and impairment loss	2,240,018	2,264,522
At end of the period:		
Cost	2,840,710	2,717,070
Accumulated amortisation and impairment loss	(600,692)	(452,548)
Net carrying amount	2,240,018	2,264,522

11. Other Financial Assets

	30 June	31 December
	2024 RMB'000	2023 RMB'000
Unlisted investments in partnerships and funds	1,534,831	1,593,287
Listed equity securities	1,467,395	88,236
Unlisted equity securities	401,476	705,636
	3,403,702	2,387,159
Analysed as:		
Financial assets measured at FVTPL	1,582,727	1,661,791
Financial assets measured at FVTOCI (note)	1,820,975	725,368
	3,403,702	2,387,159

Note: The above investments are mainly focused on the healthcare industry. 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.

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 RMB17,610,000 (six months ended 30 June 2023: RMB26,554,000) upon distribution by the partnerships and funds, which was also the fair value as at the date of distribution.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

12. Trade Receivables

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Trade receivables	6,397,014	5,911,360
Less: allowance for expected credit loss	(53,838)	(42,137)
	6,343,176	5,869,223

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 expected credit loss) at the end of the reporting period presented based on invoice dates which approximated the respective revenue recognition dates:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
0 to 90 days	4,629,442	5,272,089
91 to 180 days	1,290,490	564,976
181 to 365 days	419,554	29,364
More than 365 days	3,690	2,794
	6,343,176	5,869,223

13. Deposits, Prepayments and Other Receivables

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Prepayments for raw materials and research and development expenses	188,071	175,305
Deposits paid for acquisition of property, plant and equipment and right-of-use assets	598,877	619,077
Other taxes recoverable	277,757	210,162
Others	285,371	287,188
	1,350,076	1,291,732
Analysed as:		
Current	751,199	672,655
Non-current	598,877	619,077
	1,350,076	1,291,732

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

14. Bills Receivables

The bills receivables of the Group are with a maturity period of less than 365 days (31 December 2023: 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. Structured bank deposits

The structured bank deposits carry guaranteed return of up to 2.3% (31 December 2023: 1.8%) per annum and have a total expected return of up to 3.0% (31 December 2023: 3.0%) 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.

16. Bank deposits, Balances and Cash

	30 June 2024 RMB'000	31 December 2023 RMB'000
Time deposits with maturities over 3 months	2,363,870	2,240,000
Pledged and restricted bank deposits	25,428	24,378
Bank balances and cash	7,495,391	10,490,845
	9,884,689	12,755,223
Analysed as:		
Current	8,374,689	12,015,223
Non-current	1,510,000	740,000
	9,884,689	12,755,223

The bank deposits and balances carry interest at market interest rates ranging from 0.2% to 5.6% (31 December 2023: 0.2% to 5.6%) 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

For the six months ended 30 June 2024 – Unaudited

17. 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 2024	31 December 2023
	RMB'000	RMB'000
0 to 90 days	1,990,637	1,994,671
91 to 180 days	139,047	203,696
More than 180 days	413,708	227,748
	2,543,392	2,426,115

The general credit period on purchases of goods is up to 90 days (31 December 2023: 90 days).

18. Other Payables

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Other tax payable	66,682	181,502
Payables arising from construction cost and acquisition of property, plant and equipment	989,575	1,027,366
Deferred government grants	547,725	509,226
Salaries, wages and staff welfare payable	565,487	660,299
Selling expense payable	3,265,723	3,293,158
Research and development expense payable	425,348	264,913
Consideration payable for the acquisition of additional interest in a subsidiary	200,731	—
Others	674,940	441,533
	6,736,211	6,377,997
Analysed as:		
Current	6,385,631	5,978,313
Non-current	350,580	399,684
	6,736,211	6,377,997

19. Bills Payables

All bills payables of the Group are aged within 365 days (31 December 2023: within 365 days) and not yet due at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

20. Bank Borrowings

	30 June 2024	31 December 2023
	RMB'000	RMB'000
Discount of bills receivables (<i>note a</i>)	202,560	441,266
Variable-rate unsecured RMB bank loans (<i>note b</i>)	–	8,950
	202,560	450,216

The carrying amounts of the above borrowings are repayable within one year and classified as current liabilities.

Notes:

- The amount represents borrowings secured by the bill receivables discounted to banks with recourse and the amount is repayable within one year.
- The bank loans carry effective interest rate of 5.3% (31 December 2023: 5.3%) per annum.

21. Share Capital

	Number of shares	Share capital
		RMB'000
Issued and fully paid		
At 1 January 2023	11,933,219,732	10,899,412
Shares repurchased and cancelled	(30,000,000)	–
At 30 June 2023, 31 December 2023 and 1 January 2024	11,903,219,732	10,899,412
Shares repurchased and cancelled	(26,628,000)	–
Exercise of share options	19,500,000	106,430
At 30 June 2024	11,896,091,732	11,005,842

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

Date	Number of shares repurchased	Highest	Lowest	Aggregate consideration	
		purchase price per share	purchase price per share	(before expenses)	
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$'000</i>	<i>RMB'000</i> (equivalent)
March 2023 (<i>note i</i>)	24,560,000	7.80	7.41	187,202	163,877
April 2023 (<i>note i</i>)	5,440,000	7.75	7.61	41,673	36,481
April 2024 (<i>note ii</i>)	26,628,000	5.99	5.66	155,616	141,147
June 2024 (<i>note iii</i>)	36,350,000	6.58	6.21	231,848	211,185

Notes:

- The shares repurchased were cancelled in April 2023.
- The shares repurchased were cancelled in May 2024.
- The shares repurchased were cancelled in July 2024.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

22. Long Term Incentive Program

(i) Share option scheme

The share option scheme of the Company (the “Share 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 Share Option Scheme was adopted on 9 December 2015 and will expire on 8 December 2025.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 591,101,840 shares, being 10% of the shares of the Company in issue at the adoption date of the Share Option Scheme. The maximum entitlement for any one participant is that the total number of shares issued or to be issued upon exercise of the share options granted to each participant in any twelve-month period shall not exceed 1% of the total number of shares in issue.

Share options granted have to be taken up within an acceptable period from the date of offer to such date as the Board may determine and specify in the letter of offer (both dates inclusive) upon payment of HK\$1. The subscription price for option granted is determined by the Board and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the offer date which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. Share options granted are exercisable for a period to be notified by the Board to each grantee and such period shall expire not later than 10 years from the date of grant.

As at 30 June 2024, the number of share options available for being further granted was 541,101,840 (1 January 2024: 541,101,840).

The following table discloses movements of share options during the period:

Grantees	Date of grant	Exercise price	Exercise period	Number of share options				
				As at 1 Jan 2024	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 Jun 2024
Directors	4 Sep 2023	HK\$5.98	4 Sep 2023 to 3 Sep 2033	44,000,000	-	(19,200,000)	-	24,800,000
Employees (former directors)	4 Sep 2023	HK\$5.98	4 Sep 2023 to 3 Sep 2033	6,000,000	-	(300,000)	-	5,700,000
Total				50,000,000	-	(19,500,000)	-	30,500,000

Notes:

- 50% of the share options granted have been vested on 1 April 2024. The remaining 50% will be vested on 1 April 2025 subject to the fulfilment of certain performance target relating to the financial results of the Group in 2024.
- The weighted average closing price of the Company’s share immediately before the date on which the options were exercised was HK\$5.94.
- The Group recognised a total expense of RMB19,956,000 for the period ended 30 June 2024 (six months ended 30 June 2023: nil) in relation to share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

22. Long Term Incentive Program *(continued)*

(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.

The terms of the Share Award Scheme were amended on 21 May 2024 to the effect that the Board may only instruct the trustee to purchase existing shares of the Company on-market to satisfy share awards granted under the Share Award Scheme, such that the Share Award Scheme has become a share scheme that is funded only by the existing shares of the Company.

The maximum number of shares which may be purchased from the market or issued under the Share Award Scheme shall not in aggregate exceed 124,860,368 shares, being 2% of the shares of the Company in issue as at the adoption date of the Share Award Scheme. The maximum number of shares which may be awarded to a selected participant at any one time or in aggregate under the Share Award Scheme must not exceed 31,215,092 shares, being 0.5% of the shares of the Company in issue as at the adoption date of the Share Award Scheme.

The awarded shares held by the trustee of the Share Award Scheme shall be vested in the selected participants in accordance with the vesting conditions or vesting schedules as set out in the grant notice. Awarded shares which do not vest will be forfeited and may be re-granted to other participants selected by the Board.

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 Jan 2024	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 30 Jun 2024
Employees	15 Jan 2019	15 Jan 2019 to 14 Jan 2024	329,000	-	(316,000)	(13,000)	-
	16 Dec 2021	16 Dec 2021 to 14 Jan 2024	329,000	-	(316,000)	(13,000)	-
	22 Apr 2024	22 Apr 2024 to 21 Apr 2027	-	300,000	-	-	300,000
Total			658,000	300,000	(632,000)	(26,000)	300,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

22. Long Term Incentive Program (continued)

(ii) Share award scheme (continued)

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

Grantees	Date of grant	Vesting period	Number of awarded shares				
			As at 1 Jan 2023	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 30 Jun 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 Jul 2023	–	3,000,000	–	–	3,000,000
Total			1,316,000	3,000,000	(650,000)	(8,000)	3,658,000

Notes:

- The weighted average closing price of the Company's shares immediately before the date on which the awarded shares were vested during the period was HK\$6.54 (six months ended 30 June 2023: HK\$9.17) per share.
- The closing price of the Company's shares immediately before the date on which the share awards were granted was HK\$6.00 (six months ended 30 June 2023: HK\$6.91) per share. The fair value of the share awards at the date of grant was HK\$6.00 (six months ended 30 June 2023: HK\$6.55) per share, which was measured based on the closing price of the Company's share at the date of grant and adjusted by the fair value of dividends during the vesting period as the grantee are not entitled to dividends before vesting.
- The shares were awarded and vested for no consideration.

As at 30 June 2024, the number of share awards available for being further granted under the Share Award Scheme was 117,038,368 (1 January 2024: 117,312,368).

As at 30 June 2024, there were 100,000,000 shares of the Company held by the trustee of the Share Award Scheme (31 December 2023: 51,460,000 shares).

Total amount of RMB54,000 was credited to share-based compensation expense for the period ended 30 June 2024 (six months ended 30 June 2023: RMB13,981,000 was charged) in relation to share awards granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

22. Long Term Incentive Program (continued)

(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 share awards involving existing shares of the Company held by Key Honesty to selected employees of the Group in 2022. The awarded shares will be vested and transferred in batches from the third to fifth year after the grant at a transfer price of HK\$2.95 per share subject to the fulfilment of certain conditions. During the six-month period ended 30 June 2024, the Group recognised a total expense of RMB98,618,000 (six months ended 30 June 2023: RMB94,251,000) in relation to share awards granted by Key Honesty.

Details of movement of share awards granted by a shareholder during the period are as follows:

Grantees	Date of grant	Vesting period	Number of awarded shares				
			As at 1 Jan 2024	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 30 Jun 2024
Employees	1 Apr 2022	1 Apr 2022 to 1 Apr 2025	57,585,000	-	-	(2,910,000)	54,675,000
	1 Apr 2022	1 Apr 2022 to 1 Apr 2026	57,585,000	-	-	(2,910,000)	54,675,000
	1 Apr 2022	1 Apr 2022 to 1 Apr 2027	76,780,000	-	-	(3,880,000)	72,900,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2025	1,770,000	-	-	-	1,770,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2026	1,770,000	-	-	-	1,770,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2027	2,360,000	-	-	-	2,360,000
Total			197,850,000	-	-	(9,700,000)	188,150,000

Details of movement of shares awards granted by a shareholder during the prior period are as follows:

Grantees	Date of grant	Vesting period	Number of awarded shares				
			As at 1 Jan 2023	Granted during the period	Vested during the period	Cancelled/ lapsed during the period	As at 30 Jun 2023
Employees	1 Apr 2022	1 Apr 2022 to 1 Apr 2025	60,045,000	-	-	-	60,045,000
	1 Apr 2022	1 Apr 2022 to 1 Apr 2026	60,045,000	-	-	-	60,045,000
	1 Apr 2022	1 Apr 2022 to 1 Apr 2027	80,060,000	-	-	-	80,060,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2025	1,770,000	-	-	-	1,770,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2026	1,770,000	-	-	-	1,770,000
	14 Sep 2022	14 Sep 2022 to 14 Sep 2027	2,360,000	-	-	-	2,360,000
Total			206,050,000	-	-	-	206,050,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

23. Related Party Disclosures

During the period, the Group had 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

Relationships	Nature of transactions/balances	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Related companies (<i>note a</i>)	Sales of pharmaceutical products	764,246	503,915
	Purchase of pharmaceutical and other products	4,616	10,648
	Payment of lease liabilities	63,966	66,996
		30 June 2024 RMB'000	31 December 2023 RMB'000
	Balance due from/(to) the related companies		
	– trade receivables (<i>note b</i>)		
	aged 0–90 days	319,916	121,823
	aged 91–180 days	225,981	27,034
	aged 181–365 days	1,734	–
	aged over 365 days	1,609	1,609
		549,240	150,466
	– other receivables (<i>note c</i>)	10,543	6,847
	– trade payables (<i>note b</i>)		
	aged 0–90 days	(16,814)	(18,770)
	aged 91–180 days	(556)	(2)
	aged 181–365 days	(273)	(273)
	aged over 365 days	(16)	(16)
		(17,659)	(19,061)
	– other payables (<i>note c</i>)	(2,388)	(2,375)
	– lease liabilities	(99,267)	(160,558)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

23. Related Party Disclosures (continued)

(II) Joint ventures

Relationships	Nature of transactions/balances	Six months ended 30 June	
		2024 RMB'000	2023 RMB'000
Joint ventures	Sales of pharmaceutical products	72,653	–
	Purchase of raw materials	104,696	79,678
	Research and development expenses	11,722	25,284
		30 June 2024 RMB'000	31 December 2023 RMB'000
	Balance due from/(to) joint ventures		
	– trade receivables (note b)		
	aged 0–90 days	34,324	3,038
	aged 91–180 days	825	3,693
		35,149	6,731
	– other receivables (note c)	144,658	122,800
	– trade payables (note b)		
	aged 0–90 days	(23,567)	(27,179)
	aged 91–180 days	(4,801)	(589)
	aged 181–365 days	(1,049)	(186)
	aged over 365 days	(265)	(79)
		(29,682)	(28,033)
	– other payables (note c)	(8,305)	(7,554)

Notes:

- Mr. Cai Dongchen, executive director and the Chairman of the Company, has significant influence over the Company and exercises control over CSPC Holdings Company Limited (“CHL”) through a series of controlled corporations. Accordingly, CHL and its subsidiaries and associates are related parties of the Group.
- The general credit period for trade receivables and payables are 90 days (31 December 2023: 90 days).
- The amounts are unsecured, non-interest bearing and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

24. Capital and Other Commitments

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

	30 June 2024 RMB'000	31 December 2023 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,303,982	1,088,060
Commitments arising from unlisted equity investments in partnerships	525,447	531,485

25. 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).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

25. 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 2024 RMB'000	31 December 2023 RMB'000				
Equity securities listed in Hong Kong	1,467,395	88,236	Level 1	Quoted bid prices in an active market	N/A	N/A
Unquoted investments	1,936,307	2,298,923	Level 3	Discount cash flow – 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 Long-term pre-tax operating margin	The higher the estimated discount rate, the lower the fair value, vice versa The higher of the long-term pre-tax operating margin, the higher the fair value, vice versa
Bills receivables at FVTOCI	2,726,742	2,211,169	Level 2	Discounted cash flow at a discount rate that reflects the credit risk of issuers	N/A	N/A
Structured bank deposits	2,442,314	1,077,054	Level 2	Expected yields of underlying investments invested by bank at a discount rate that reflects the credit risk of the bank	N/A	N/A

During the period, an equity investment at level 3 fair value measurement was transferred to level 1. The carrying value of the equity investment has increased by RMB1,100,000,000 to RMB1,400,000,000 (31 December 2023: RMB300,000,000) upon its listing on the Stock Exchange.

Unrealised fair value gain of RMB931,249,000 included in other comprehensive income for the period ended 30 June 2024 is related to other financial assets measured at FVTOCI held at the end of current reporting period (six months ended 30 June 2023: RMB10,979,000) and are reported as changes of 'other reserves'.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024 – Unaudited

25. 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 2024 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	Total interests	Approximate %
				in shares/ underlying shares	of the issued shares of the Company
CAI Dongchen	Beneficial owner	234,386,960	9,000,000 ⁽²⁾	2,844,255,670	23.91%
	Interest of controlled corporation	2,600,868,710 ⁽¹⁾	–		
ZHANG Cuilong	Beneficial owner	4,000,000	4,000,000 ⁽²⁾	8,000,000	0.07%
PAN Weidong	Beneficial owner	1,500,000	1,500,000 ⁽²⁾	3,000,000	0.03%
WANG Zhenguo	Beneficial owner	1,500,000	1,500,000 ⁽²⁾	3,000,000	0.03%
WANG Huaiyu	Beneficial owner	1,500,000	1,500,000 ⁽²⁾	3,000,000	0.03%
LI Chunlei	Beneficial owner	1,500,000	4,500,000 ⁽²⁾	6,000,000	0.05%
JIANG Hao	Beneficial owner	200,000	2,800,000 ⁽²⁾	3,000,000	0.03%
YAO Bing	Beneficial owner	–	1,500,000 ⁽³⁾	1,500,000	0.01%

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) The interests represent share options granted under the Share Option Scheme of the Company. Details of which are set out in note 22 to the condensed consolidated financial statements.
- (3) The interests represent 1,500,000 unvested share awards granted by Key Honesty Limited, a shareholder of the Company. Details of which are set out in note 22 to the condensed consolidated financial statements.

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 2024 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.

Other Information

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 2024 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

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 2024 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	Number of underlying shares held	Total interests in shares/ underlying shares	Approximate % of the issued shares of the Company
Cai Dongchen	Beneficial owner	234,386,960	9,000,000 ⁽²⁾	2,844,255,670	23.91%
	Interest in controlled corporation	2,600,868,710 ⁽¹⁾	–		
True Ally Holdings Limited	Beneficial owner	948,249,600	–	2,600,868,710	21.86%
	Interest in controlled corporation	1,652,619,110 ⁽¹⁾	–		
Massive Giant Group Limited	Beneficial owner	1,218,834,470	–	1,218,834,470	10.25%
Common Success International Limited	Beneficial owner	728,796,313	–	728,796,313	6.13%
UBS Group AG	Interest in controlled corporation	798,492,485	–	798,492,485	6.71%
Citigroup Inc.	Interest in controlled corporation	24,456,181	–	713,775,474	6.00%
BlackRock, Inc.	Approved lending agent	689,319,293	–	609,099,137	5.12%
	Interest in controlled corporation	609,099,137	–		

Substantial Shareholders' Interests *(continued)***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	136,744,400	1.15%
Citigroup Inc.	Interest in controlled corporation	16,454,630	0.14%
BlackRock, Inc.	Interest in controlled corporation	800,000	0.01%

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.
- (2) The interests represent share options granted under the Share Option Scheme of the Company. Details of which are set out in note 22 to the Condensed Consolidated financial statements.

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 2024 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

(i) Share Option Scheme

The Company has adopted a share option scheme on 9 December 2015 (the “Share Option Scheme”), details of which are set out in note 22 to the condensed consolidated financial statements.

On 4 September 2023 (the “Grant Date”), the Company conditionally granted share options (the “Share Options”) to the directors of the Company set out in the table below (the “Management Grantees”) to subscribe for an aggregate of 50,000,000 shares of the Company (the “Share Option Shares”) under the Share Option Scheme.

The exercise of the Share Options by the Management Grantees in full (the “Exercise of the Share Options”) will cause the aggregate shareholding interests in the total number of issued shares held by the Management Grantees and parties acting in concert with any of them (collectively, the “Management Group”) to increase from approximately 29.90% of the total number of issued shares of the Company as at the Grant Date to approximately 30.19% of the total number of issued shares of the Company as enlarged by the issuance of the Share Option Shares in full. Accordingly, the Management Grantees would be obliged to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code to the shareholders of the Company for all the issued shares not already owned or agreed to be acquired by the Management Group as a result of the allotment and issuance of the Share Option Shares to the Management Grantees, unless a whitewash waiver is granted by the Securities and Futures Commission (“SFC”). The Management Grantees applied to the SFC for, and the SFC granted, a waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code from the obligations of the Management Grantees to make a mandatory general offer for all of the shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company (if any) not already owned or agreed to be acquired by the Management Group which would otherwise arise as a result of the completion of the Exercise of the Share Options (the “Whitewash Waiver”).

The resolutions approving the Whitewash Waiver and the conditional grant of the Share Options and the Exercise of the Share Options and the transactions contemplated thereunder were duly passed at the extraordinary general meeting held by the Company on 29 November 2023.

On 11 April 2024, a total number of 19,500,000 Share Options have been exercised by some of the Management Grantees at the exercise price of HK\$5.98 per share. Accordingly, a total of 19,500,000 new shares were allotted and issued to some of the Management Grantees on 15 April 2024 (the “Issuance”). Pursuant to Note 15 to Rule 26.1 of the Takeovers Code, the Management Group shall be deemed to have a lowest percentage holding equal to its percentage holding immediately after the Issuance, i.e. 30.01% as at 15 April 2024 (the “New Lowest Percentage Holding”). Any acquisition of additional voting rights by the Management Group subsequent to the Issuance shall be subject to the 2% creeper under Rule 26.1 of the Takeovers Code by reference to the New Lowest Percentage Holding in the 12-month period ending on the date of the Issuance, unless any subsequent disposition of voting rights by the Management Group causes the lowest percentage holding of the Management Group to fall below the New Lowest Percentage Holding. Details of the above exercise of Share Options are set out in the announcement of the Company dated 15 April 2024.

Other Information

The table below shows details of movements of the Share Options during the period:

Name of grantees	Date of grant	Exercise period	Vesting period	Exercise price	Number of share options				
					Outstanding as of 1 Jan 2024	Granted during period	Exercised during the period	Cancelled/lapsed during the period	Outstanding as of 30 Jun 2024
Directors:									
Cai Dongchen	4 Sep 2023	(1)	(2)	HK\$5.98	18,000,000	-	(9,000,000)	-	9,000,000
Zhang Cuilong	4 Sep 2023	(1)	(2)	HK\$5.98	8,000,000	-	(4,000,000)	-	4,000,000
Wang Zhenguo	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	(1,500,000)	-	1,500,000
Pan Weidong	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	(1,500,000)	-	1,500,000
Wang Huaiyu	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	(1,500,000)	-	1,500,000
Li Chunlei	4 Sep 2023	(1)	(2)	HK\$5.98	6,000,000	-	(1,500,000)	-	4,500,000
Wang Qingxi ⁽⁹⁾	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	-	-	3,000,000
Chak Kin Man ⁽⁹⁾	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	(300,000)	-	2,700,000
Jiang Hao	4 Sep 2023	(1)	(2)	HK\$5.98	3,000,000	-	(200,000)	-	2,800,000
					50,000,000	-	(19,500,000)	-	30,500,000

- Subject to the fulfillment of the conditions for the grant and exercise of the share options, the vesting conditions and the vesting period, the exercise period of the share options is 10 years from the date of grant (i.e. 4 September 2023 to 3 September 2033, both days inclusive).
- Conditional upon the Group having achieved a single-digit percentage growth on the amount of the underlying profit attributable to shareholders (i.e. the profit attributable to shareholders after excluding certain non-operating items as determined by the Board) for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022, 50% of the share options shall be vested on 1 April 2024, and such condition had already been satisfied. The remaining 50% of the share options shall be vested on 1 April 2025 conditional upon the Group having achieved a double-digit percentage growth on the amount of the underlying profit attributable to shareholders (i.e. the profit attributable to shareholders after excluding certain non-operating items as determined by the Board) for the year ended 31 December 2024 as compared to that for the year ended 31 December 2023.
- Mr. Wang Qingxi and Mr. Chak Kin Man retired as Executive Directors of the Company with effect from 28 May 2024.
- The weighted average closing price of the Company's shares immediately before the date on which the options were exercised was HK\$5.94 per share.

(ii) Share Award Scheme

The Company has adopted a share award scheme on 20 August 2018. In addition, a shareholder of the Company has granted share awards to selected employees of the Group. Details of the Company's share awards scheme and the share awards granted by the shareholder are set out in note 22 to the condensed consolidated financial statements.

Other Information

Corporate Governance

The Company has complied with all the code provisions in the Corporate Governance Code contained in Appendix C1 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 2024.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 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 2024.

Review of Interim Results and Interim Report

The interim results for the six months ended 30 June 2024 and this Report have been reviewed by the audit committee of the Company.

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

During the six months ended 30 June 2024, the Company repurchased its own shares through the Stock Exchange as follows:

Date	Number of shares repurchased	Highest purchase price per share	Lowest purchase price per share	Aggregate consideration (before expenses)	
		HK\$	HK\$	HK\$	RMB (equivalent)
April 2024	26,628,000	5.99	5.66	155,616,000	141,147,000
June 2024	36,350,000	6.58	6.21	231,848,000	211,185,000
	62,978,000			387,464,000	352,332,000

The shares repurchased in April 2024 and June 2024 were cancelled in May 2024 and July 2024, respectively. The Board considered that the repurchases 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 2024.

Closure of register of members

The register of members of the Company will be closed from Monday, 4 November 2024 to Wednesday, 6 November 2024, 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, 1 November 2024.