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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 867)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The Board of Directors (the "Board") of China Medical System Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group" or "CMS") for the six months ended 30 June 2022 (the "Reporting Period").

Financial Highlights

- Turnover up 15.7% to RMB4,447.8 million (H1 2021: RMB3,843.0 million); in the case that all medicines were directly sold by the Group, turnover up 21.1% to RMB5,170.0 million (H1 2021: RMB4,269.3 million)
- Gross profit up 19.6% to RMB3,436.2 million (H1 2021: RMB2,873.8 million); in the case that all medicines were directly sold by the Group, gross profit up 22.1% to RMB3,375.0 million (H1 2021: RMB2,764.6 million)
- Profit for the period up 10.1% to RMB1,796.3 million (H1 2021: RMB1,631.6 million)
- Basic earnings per share up 11.2% to RMB0.7325 (H1 2021: RMB0.6587)
- As at 30 June 2022, the Group's bank balances and cash amounted to RMB4,019.1 million while readily realizable bank acceptance bills amounted to RMB310.5 million
- Declared interim dividend up 10.9% compared with the same period last year to RMB0.2930 per share (H1 2021: RMB0.2641)

* *For identification purpose only*

Business Highlights

During the Reporting Period, the Group has achieved steady business growth, while the clinical development and registration of its innovative products in China were progressing in an orderly manner. By capitalizing on its products identification capabilities and in-depth understanding of the China pharmaceutical industry, the Group has initiated Southeast Asia business to promote its quality and sustainable development.

Promoted Quality and Sustainable Development with "Platform Company" Strategy

- **Innovative product incubation platform:** Focused on unmet clinical needs, the Group collaborated with global biotech or biopharma to jointly develop first- or best-in-class innovative products, and built a pharmaceutical ecosystem in an open and collaborative setting for the benefit of all stakeholders, thus to improve the efficiency of pharmaceutical innovative R&D. A pipeline of nearly 30 innovative products with competitive differentiation advantages had been built.
- **Commercialization platform:** The Group is deeply engaged in specialty therapeutic fields such as cardio-cerebrovascular, gastroenterology, dermatology and medical aesthetics, and ophthalmology etc. By leveraging its professional academic promotion team, customer resources, network coverage and compliant management system, the Group has developed steady growth and leading market positions for its marketed products, while laying a solid foundation for the commercialization of the innovative products. As at 30 June 2022, the Group's promotion network covered over 50,000 hospitals and medical institutions, and more than 200 thousand retail pharmacies in China.

Innovative Products R&D Proceeded Steadily in China

- Tildrakizumab Solution for Injection was approved for marketing in Hong Kong, China in April.
- The NDA of Methotrexate Injection, Pre-filled Syringe for the indication of psoriasis was granted priority review designation by the CDE in January, expected to accelerate its registration process in China.
- The first subject was dosed in China Phase III bridging trial of Methotrexate Injection, Pre-filled Syringe for the indication of RA in April.
- The first subject was dosed in China bridging trial of Methylthioninium Chloride Enteric-coated Sustained-release Tablets in January, and the enrollment of all 1,800 subjects was completed in July.
- The first subject was dosed in China phase III bridging trial of Desidustat Tablets in January.

International Strategy — Southeast Asia Business

- With a focus on the huge demands for quality and affordable products in Southeast Asia, the Group initiated its international development strategy — Southeast Asia business, and aimed to build an integrated platform that covers innovative R&D, manufacturing, preparation CDMO, marketing and promotion. Through jointly developing products with biotech and pharmaceutical companies from Europe, the U.S., Japan and China, and undertaking the manufacturing and commercialization of the products in Southeast Asia, the Group is striving to build a "bridgehead" in Southeast Asia for global pharmaceutical companies.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended 30 June 2022	2021
		RMB'000 (unaudited)	RMB'000 (unaudited)
Turnover	3	4,447,791	3,843,016
Cost of goods sold		(1,011,641)	(969,235)
Gross profit		3,436,150	2,873,781
Other income		108,793	68,252
Other gains and losses		60,146	11,022
Selling expenses		(1,278,460)	(1,043,568)
Administrative expenses		(279,676)	(159,419)
Research and development expenses		(55,551)	(36,850)
Finance costs		(18,112)	(7,263)
Share of results of associates		82,424	110,227
Profit before tax		2,055,714	1,816,182
Income tax expense	4	(259,390)	(184,622)
Profit for the period	5	1,796,324	1,631,560
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income (expense) of associates		20,733	(4,618)
Exchange differences arising from translation of foreign operations		10,436	(24)
Change in fair value on cash flow hedges			
- fair value gain		11,839	33
- deferred tax relating to change in fair value		(1,363)	(198)
Items that will not be reclassified to profit or loss:			
Fair value (loss) gain on equity instrument at fair value through other comprehensive income		(169,726)	19,741
Other comprehensive (expense) income for the period, net of income tax		(128,081)	14,934
Total comprehensive income for the period		1,668,243	1,646,494
Profit (loss) for the period attributable to:			
Owners of the Company		1,798,736	1,627,481
Non-controlling interests		(2,412)	4,079
		1,796,324	1,631,560
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		1,670,655	1,642,415
Non-controlling interests		(2,412)	4,079
		1,668,243	1,646,494
		RMB	RMB
Earnings per share	7		
Basic		0.7325	0.6587

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	NOTES	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		439,098	453,154
Right-of-use assets		73,313	76,713
Interest in associates		2,759,138	2,687,286
Intangible assets		2,137,933	2,215,697
Goodwill		1,723,443	1,691,179
Equity instruments at fair value through other comprehensive income		326,360	400,471
Deposits paid for acquisition of intangible assets		859,505	790,483
Amount due from an associate	9	30,000	30,000
Loan receivable		33,557	31,879
Deposit paid for acquisition of a subsidiary		-	15,000
Deferred tax assets		43,033	36,299
		8,425,380	8,428,161
Current assets			
Inventories		590,458	472,598
Financial asset at fair value through profit or loss		1,232,964	977,874
Trade and other receivables and prepayments	8	2,303,705	2,204,002
Tax recoverable		19,354	19,469
Derivative financial instruments		32,430	-
Amount due from an associate	9	361,260	320,036
Bank balances and cash		4,019,112	3,385,739
		8,559,283	7,379,718
Current liabilities			
Trade and other payables	10	488,917	629,547
Lease liabilities		13,378	16,922
Contract liabilities		27,102	23,715
Bank borrowings		1,770,835	1,103,760
Deferred consideration payables		1,000	2,000
Derivative financial instruments		543	-
Tax payable		410,165	305,310
		2,711,940	2,081,254
Net current assets		5,847,343	5,298,464
Total assets less current liabilities		14,272,723	13,726,625

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Capital and reserves		
Share capital	84,015	84,177
Reserves	13,748,470	12,668,267
Equity attributable to owners of the Company	13,832,485	12,752,444
Non-controlling interests	125,220	94,543
	13,957,705	12,846,987
Non-current liabilities		
Deferred tax liabilities	137,591	123,575
Lease liabilities	18,512	17,810
Deferred consideration payables	822	736
Bank borrowings	-	573,813
Derivative financial instruments	-	11,291
Obligation arising from put options	158,093	152,413
	315,018	879,638
	14,272,723	13,726,625

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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

3. TURNOVER AND SEGMENT INFORMATION

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

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

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Sales of pharmaceutical products	3,330,644	3,012,841
Promotion income	1,117,147	830,175
	4,447,791	3,843,016

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

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

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

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	178,665	129,185
Hong Kong Profits Tax	3,219	123
Macau Complementary Income Tax	72,899	56,840
	254,783	186,148
Deferred taxation:		
Current period	4,607	(1,526)
Income tax expense for the period	259,390	184,622

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	21,477	20,173
Amortisation of intangible assets (included in cost of goods sold)	83,012	84,255
Cost of inventories recognised as an expense	923,913	879,555
Interest income	(51,742)	(26,364)
Net exchange loss (gain)	50,162	(7,922)

6. DIVIDENDS

During the Reporting Period, a final dividend of RMB0.2269 per share in respect of the year ended 31 December 2021 (six months ended 30 June 2021: RMB0.2033 per share in respect of the year ended 31 December 2020) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid during the Reporting Period amounted to RMB557,594,000 (six months ended 30 June 2021: RMB502,306,000).

Subsequent to the end of the interim period, the directors have determined that an interim dividend of RMB0.2930 per share and amounting to RMB718,645,000 (six months ended 30 June 2021: RMB0.2641 per share and amounting to RMB652,528,000) will be paid to the owners of the Company whose names appear in the Register of Members on 7 September 2022.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	1,798,736	1,627,481

	Number of ordinary shares	
	As at 30 June	
	2022	2021
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,455,551,910	2,470,760,512

The computation of diluted earnings per share for the six months ended 30 June 2022 and 2021 does not assume the exercise of put options by the non-controlling shareholder of a subsidiary as the exercise of the put option would result in an increase of earnings per share for the for the six months ended 30 June 2022 and 2021.

8. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2022 RMB'000	31 December 2021 RMB'000
Trade receivables	1,498,628	1,405,322
Less: Allowance for credit losses	(9,533)	(9,533)
	1,489,095	1,395,789
Bills receivables	310,459	453,350
Purchase prepayment	261,774	213,125
Other receivables and deposits	242,377	141,738
	2,303,705	2,204,002

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

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

	30 June 2022 RMB'000	31 December 2021 RMB'000
0 - 90 days	1,449,590	1,297,684
91 - 365 days	39,505	98,105
	1,489,095	1,395,789

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

The Group applies the IFRS 9 simplified approach to measure expected credit loss ("ECL") which uses a lifetime ECL, trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. As at 30 June 2022, the majority balances of trade receivables were within the credit period, the directors of the Company considered that the lifetime ECL allowance is insignificant as at 30 June 2022.

9. AMOUNT DUE FROM AN ASSOCIATE

As at 30 June 2022, the balance of approximately RMB30,000,000 (31 December 2021: RMB30,000,000) represented deposit to Tibet Pharmaceutical for exclusive distribution right.

As at 30 June 2022, the balance of approximately RMB361,260,000 (31 December 2021: RMB320,036,000) was trade nature and non-interest bearing, represented promotion income receivables from Tibet Pharmaceutical. The Group allows a credit period of 90 days to Tibet Pharmaceutical. The balance as at 30 June 2022 was aged within three months (31 December 2021: within three months) based on the invoice date.

10. TRADE AND OTHER PAYABLES

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

	30 June 2022	31 December 2021
	RMB'000	RMB'000
0 - 90 days	119,917	142,639
91 - 365 days	12,468	2,757
Over 365 days	1,409	502
Trade payables	133,794	145,898
Payroll and welfare payables	130,151	280,000
Other tax payables	39,041	38,031
Accrued promotion expenses	57,325	61,229
Accrued sales rebates	75,000	50,000
Accruals	30,703	35,098
Other payables	22,903	19,291
	488,917	629,547

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

MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

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

The Group has been deeply engaged in the Chinese pharmaceutical market for 30 years, and has built a compliant, efficient and proven commercialization system. Leveraging on its commercialization gene, extensive academic resource, as well as deep market understanding, the Group is able to identify unmet clinical needs with a sharp business insight, and locate differentiated innovative products with both social and economic value through precise product evaluation. Based on the advantageous resources accumulated in commercialization process, the increasingly matured innovative R&D team and project management system, the Group, while acquiring mature innovative products, further clarified its "collaborative R&D and investment" oriented innovation development strategy. The Group collaborates with biotech companies with innovative technology platforms to jointly plan and initiate innovative projects. The biotech companies will develop novel molecules to PCC (Preclinical Candidate Compounds) stages, after which both sides will jointly promote the development of collaborative products to the IND (Investigational New Drug) submission. Afterwards, the Group will be mainly responsible for the clinical development, registration and commercialization of innovative products. This collaboration could make the most of respective strengths, in order to improve the R&D efficiency by shortening the R&D cycle and reducing expense. Meanwhile, by improving its scientific mindset and R&D capabilities, the Group actively participated in the target selection and development path planning of innovative products to conduct customized development of in-house innovative products. In the past five years, the Group has built an innovative pipeline of early-, mid- and late-phase products with relatively high innovation level, promising market potential and competitive differentiation advantages, and its innovative products are about to launch in China soon, to benefit more patients.

The Group deeply expertises in specialty therapeutic fields, such as cardio-cerebrovascular, gastroenterology, central nervous system, dermatology and medical aesthetics, ophthalmology and pediatrics, and has established a resource-sharing commercialization system with compliant and efficient management, which has gained leading market positions for its marketed products. The Group has formed independent operating divisions for each specialty area in order to increase the depth and breadth of its businesses, and give the advantages of allowing the divisions to benefit from the scale advantages and operational efficiency inherent with being part of a larger group, empowering the divisions to gain leading positions in specialty markets.

Business Review

In the first half of 2022, while China's economy came under pressure due to factors such as geopolitical conflicts, global stagflation and the pandemic, the bio-pharmaceutical sector has demonstrated relatively strong resilience. As China enters the critical period of "14th Five-Year Plan", bio-pharmaceutical sector is regarded as one of the important strategic industries for national development, and its high-quality development has constituted an essential part of developing a "Healthy China". Meanwhile, with the structure adjustment of healthcare industry remaining in a direction of "cost-control and price-reduction" and "innovation encouragement", to achieve sustainable development, it has become essential for pharmaceutical companies to steer towards "selected and quality innovation" and promote products and services to "go abroad". During the Reporting Period, while maintaining strong product competence, the Group improved execution and motivation of its team through independent operation of business divisions in specialty fields, and achieved continuous and steady growth of business performance, with a turnover of RMB4,447.8 million (H1 2021: RMB3,843.0 million), representing an increase of 15.7% over the same period last year; in the case that all medicines were directly sold by the Group, the turnover would increase by 21.1% to RMB5,170.0 million (H1 2021: RMB4,269.3 million). Profit for the period was RMB1,796.3 million (H1 2021: RMB1,631.6 million), representing an increase of 10.1% over the same period last year.

During the Reporting Period, beginning with Southeast Asian market, the Group launched its global development strategy, aiming to build an integrated platform that covers product R&D, manufacturing and commercialization. The Group will collaborate with biotech and pharmaceutical companies from Europe, the U.S., Japan and China to jointly develop products, and undertake the manufacturing and commercialization of the collaborative products in Southeast Asia, while commercializing its own products in the Southeast Asian market, so as to help pharmaceutical companies to go abroad and empower the long-term development of the Group.

With its focus on differentiated clinical value of products, the Group leverages its high clinical execution, commercialization capability, capital strength, etc., collaborates with global biotech or biopharma to jointly develop products and efficiently promote the application and transformation of innovative bio-technology, thus to build a pharmaceutical ecosystem in an open and collaborative setting for the benefit of all stakeholders.

I. Innovative Research

Focusing on unmet clinical needs and adopting a global perspective in planning and promotion of its innovative R&D, the Group has established multi-dimensional collaborative development models and continuously expanded its innovative pipeline that combines scientific and commercial competitive advantages and covers different R&D stages. These collaborative models are: 1) equity investment in global

biotech and strategic collaboration with global biopharma to acquire innovative products that are in relatively mature development stage; 2) equity investment in and/or strategic collaboration with Chinese biotech that have innovative technology platforms; 3) customization of innovative products of novel or popular targets in our therapeutic fields of focus. To make the most of respective strengths in the collaborative innovation development, CMS can/will take responsibility for clinical development, marketing registration and commercialization, to constantly foster transformation of scientific research into clinical practices and improve the accessibility of Chinese patients to overseas and domestic innovative medicines.

In order to guarantee the rationality of medical strategies, efficiency and compliance of clinical operations, and well-controlled risks of product safety, the Group has benchmarked the global leading industry practices in regard to key R&D stages of innovative products, and continuously improved its in-house clinical development system that covers medical and clinical research, pharmacovigilance, and quality assurance. Meanwhile, with effective incentive scheme and tailored professional training programs internally and externally, the Group has further enhanced its experienced, stable and professional team. The Group has also constantly deepened industry-academy-research cooperation with first-class medical colleges in China, so as to create synergies among academic resources and research facilities, and strengthen the Group's innovation capability.

1. Innovative Products Acquisition and Development

As at 30 June 2022, the Group has acquired nearly 30 innovative products, mainly first- or best-in-class, covering multiple specialty therapeutic fields including cardio-cerebrovascular, central nervous system, gastroenterology, ophthalmology, dermatology and pediatrics. Among them, 9 products have been approved for marketing in the U.S./Europe, and during the Reporting Period, 3 products were under New Drug Application (NDA) review in China, 1 product was approved for marketing in Hong Kong of China, 1 product's NDA was granted the priority review designation by the Center for Drug Evaluation (CDE), and 3 products' China bridging trials were progressing steadily after completing first subject dosing.

Diazepam Nasal Spray - an innovative medicine targeting acute repetitive seizures that is convenient to use outside the medical setting with a very rapid onset of action (approved for marketing in the U.S.)

During the Reporting Period, the NDA of Diazepam Nasal Spray was under review by CDE in China, with the indication for the treatment of intermittent, stereotypic episodes of frequent seizure activity (i.e., seizure clusters, acute repetitive seizures) in patients with epilepsy 6 years of age and older. The NDA is supported by its China bridging trial, which is a comparative pharmacokinetic (PK) study of diazepam spray and injection in healthy subjects with a total of 24 subjects enrolled. The study achieved the expected target and its result showed that the absorption of a single intranasal dose of Diazepam Nasal Spray was fast and

complete, with bioavailability of diazepam and its active metabolite desmethyl diazepam reaching 77.55% and 80.13% respectively in the 15mg dose group, and 78.69% and 86.21% in the 20mg dose group. The product was also shown to be safe and well tolerated in healthy Chinese subjects.

Diazepam Nasal Spray is an intranasally administered, proprietary formulation of diazepam with relatively high bioavailability. Its formulation incorporates the unique combination of a vitamin E-based solvent and Intravail® absorption enhancement, which helps it to obtain unparalleled absorption, tolerability and reliability.

Tildrakizumab Solution for Injection - a monoclonal antibody specifically targeting IL-23 (approved for marketing in Hong Kong, the U.S., Europe, Australia, Japan and Canada)

In April 2022, Tildrakizumab Solution for Injection was approved for marketing in Hong Kong of China under the brand name of ILUMETRI, with the indication for the treatment of adults with moderate-to-severe plaque psoriasis who are candidates for systemic therapy. During the Reporting Period, the product's NDA in China was under review by CDE, which was supported by a randomized, double-blind, placebo-controlled, multi-center Phase III bridging trial in China, with 220 patients enrolled in total. The trial aims to evaluate the efficacy and safety of the product for treatment of Chinese patients with moderate-to-severe plaque psoriasis, and it has obtained positive results, with preliminary data showing the treatment of the product for 12 weeks significantly increased the proportion of subjects who have achieved at least 75% of improvement in psoriasis area and severity index (PASI 75) compared with placebo.

Tildrakizumab Solution for Injection is a humanized lgG1/k monoclonal antibody designed to selectively bind to the p19 subunit of interleukin-23 (IL-23) and inhibit its interaction with the IL-23 receptor, leading to inhibition of the release of pro-inflammatory cytokines and chemokines. The product can achieve less injection frequency with better patient compliance.

Methotrexate Injection, Pre-filled Syringe

- expected to be the first MTX pre-filled injection for subcutaneous administration for the treatment of psoriasis in China (approved for marketing in Europe)

In January 2022, the NDA of Methotrexate Injection, Pre-filled Syringe for the treatment of severe recalcitrant disabling psoriasis and other autoimmune diseases was granted priority review designation by the CDE, which is expected to accelerate its registration process in China. The product is a methotrexate (MTX) injection with multiple strengths in a small volume, expected to meet the basic treatment needs of psoriasis patients.

- expected to be the first MTX pre-filled injection for subcutaneous administration for the treatment of

RA in China (approved for marketing in Europe)

In April 2022, the first subject was dosed in China Phase III bridging trial of Methotrexate Injection, Pre-filled Syringe for the treatment of rheumatoid arthritis (RA). This study is a randomized, open, active-controlled, multi-center clinical trial, aiming to compare the efficacy and safety between the product and methotrexate tablets in the treatment of adult RA patients. With Peking Union Medical College Hospital, Chinese Academy of Medical Sciences being the leading hospital, the study is planned to enroll 140 subjects and be conducted in around 17 sites nationwide.

MTX is internationally well accepted as the first-line gold standard and anchor medicine for the systemic treatment for RA, but there is currently no MTX pre-filled injection approved for the treatment of RA in China. The product expected to address the gastrointestinal adverse effects of oral application of MTX and has advantages of relatively high bioavailability, improvement of clinical efficacious response, flexible dosage management and operation convenience, achieving a greater balance of efficacy, safety, tolerability and compliance.

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

In January 2022, the first subject was dosed in China bridging trial of Methylthioninium Chloride Enteric-coated Sustained-release Tablets. In July 2022, the Group has overcome challenges under pandemic prevention and control, and took only 6 months (including the Chinese Spring Festival) to complete the enrollment of all 1,800 subjects, which strongly proves that the Group's efficient clinical enrollment capability supported by its professional academic promotion network, expert resources and other strengths. The trial is a randomized, double-blind, placebo controlled, multi-center Phase III clinical trial, aiming to evaluate the efficacy of the product in improving the detection rate of histologically confirmed non-polypoid colorectal lesions in subjects undergoing colonoscopic screening or colonoscopic monitoring. With Beijing Friendship Hospital, Capital Medical University being the leading hospital, the trial is planned to be conducted in around 20 sites nationwide.

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

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

In January 2022, the first subject was dosed in China phase III bridging trial of Desidustat Tablets. The trial

is a randomized, double-blind, placebo controlled, multi-center clinical trial, aiming to evaluate the efficacy of Desidustat Tablets in the treatment of anemia caused by non-dialysis chronic kidney disease (CKD) based on changes in hemoglobin (Hb) level from baseline. With Peking Union Medical College Hospital, Chinese Academy of Medical Sciences being the leading hospital, the study is planned to enroll 150 subjects and be conducted in around 28 sites nationwide.

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

Cyclosporine Eye Drops 0.09% - a preservative-free, innovative ophthalmic formulation using globally patented nanotechnology (approved for marketing in the U.S., Australia and Canada)

During the Reporting Period, the Group actively negotiated with its partner, Sun Pharmaceutical Industries Ltd. The product's Phase III bridging trial in China will be restarted when the new product batch for the clinical trial that meets our quality requirement is received.

Cyclosporine Eye Drops 0.09% is a nanotechnology-enabled formulation in clear solution, developed for increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye). It uses a unique tiny structure called "micelle" as the vehicle to allow for greater tissue penetration and gentle side effect profile in a high concentration.

2. Innovative Pipeline

Launched Overseas or Under Marketing Application Review

Product	Rights Authorized Region	Indication	Clinical Trial Approval	Clinical Trial for Registration	Marketing Application	Marketed	Major Marketed Regions			
							CN	US	EU	JP
Diazepam Nasal Spray		Intermittent, stereotypic episodes of frequent seizure activity (i.e., seizure clusters, acute repetitive seizures) in patients with epilepsy six years of age and older						✓		
Tildrakizumab Solution for Injection (Biological Agent)		Moderate-to-severe plaque psoriasis					✓ (Hong Kong)	✓	✓	✓
Methotrexate Injection, Pre-filled Syringe		Severe recalcitrant disabling psoriasis and other autoimmune diseases							✓	
		Adult rheumatoid arthritis							✓	
Methylthioninium Chloride Enteric-coated Sustained-release Tablets		An diagnostic agent to enhance visualisation of colorectal lesions in adult patients undergoing screening or surveillance colonoscopy							✓	
Desidustat Tablets		Anemia in patients with chronic kidney disease								
Cyclosporine Eye Drops 0.09%		Increasing tear secretion in patients with keratoconjunctivitis sicca (dry eye)						✓		
Latanoprost Eye Drops		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						✓		
PLENITY		An aid for weight management in adults with a BMI of 25-40 kg/m^2 when used in conjunction with diet and exercise						✓	✓	
Levetiracetam XR Tablet		Adjunctive therapy for the treatment of partial-onset seizures						✓		
BCG for Intravesical Instillation (Biological Agent)	*	Non-invasive urothelial bladder carcinoma, including curative treatment of carcinoma in situ and prophylactic treatment of recurrence							✓	
PoNS		Chronic balance deficit due to mild-to-moderate traumatic brain injury								

China — Designated Asian Regions

Overseas — Mainland China, Hong Kong, Macao and Taiwan

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

Under R&D Stages

Product	Rights Authorized Region	Indication	Pre-clinical	Clinical Trial Approval	Phase I	Phase II	Phase III	Marketing Application
SDN-037		Eye pain and inflammation after cataract surgery						
PDP-716		Reduction of elevated intraocular pressure in patients with open-angle glaucoma or ocular hypertension						
CF101		Psoriasis						
ACT017 (Biological Agent)		Acute phase of ischemic stroke						
CF102		Hepatocellular carcinoma						
		Non-alcoholic fatty liver disease / non-alcoholic steatohepatitis						
XF-73		Prevention of post-surgical staphylococcal infections						
		Infectious diseases						
BB2603		Onychomycosis and tinea pedis						
VXM01 (Biological Agent)		Recurrent glioblastoma						
VEGF/ANG2 Tetravalent Bispecific Antibody** (Biological Agent)		Intended to be used for ocular fundus neovascular diseases						
Fully Human Anti-SA Hlα Antibody (Biological Agent)		Intended to be used to prevent disease progression in high-risk groups for SA colonization and treat pneumonia, bacteremia, and toxic shock caused by SA, especially MRSA						
Fully Human Anti-HCMV Antibody (Biological Agent)		Intended to be used for prophylaxis of HCMV infection						
Fully Human Anti-COVID-19 Antibody (Biological Agent)		Intended to be used for prevention and treatment of COVID-19 infection						
Fully Human Anti-rabies Virus Antibody (Biological Agent)		Intended to be used for rapid passive immunization of patients bitten and scratched by rabies infected dogs or other animals susceptible to rabies infection						
CMS-D001		Autoimmune diseases						
CMS-D002		Gynecological diseases						
CMS-D003		Cardio-cerebrovascular diseases						
CMS-D004		Central nervous system diseases						
CMS-D005		Metabolic diseases						

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

**In July 2022, the Group acquired the global assets related to VEGF/ANG2 Tetravalent Bispecific Antibody

II. Competitive Generics

The Group selectively acquires generics with promising market potential and favorable competitive condition, expecting to contribute additional growth to the Group's performance via participating in the centralized procurement.

During the Reporting Period, Paliperidone Extended-release Tablets (for schizophrenia) was approved for marketing in China, and a number of generics were under ANDA review in China, including the complex generic Doxorubicin Hydrochloride Liposome Injection (for anti-tumor); Tacrolimus Capsules (for liver or renal transplant rejection), Mycophenolate Sodium Enteric-coated Tablets (for immune rejection in renal transplant), Oxcarbazepine Tablets (for epilepsy) and Tetrabenazine Tablets (for Huntington's disease). In July 2022, Doxorubicin Hydrochloride Liposome Injection (for anti-tumor) was approved for marketing in Hong Kong, China.

III. Commercialization System

With the rapid and comprehensive transformation and upgrade of China's pharmaceutical industry, the Chinese medical innovation gradually steps into a period of harvest, generating urgent and massive demand for clinical application and products monetization, which has further highlighted the value of pharmaceutical commercialization platforms. Based on unmet clinical needs, the Group, while rapidly promoting investment and clinical development of innovative products, constantly strengthened its commercialization capabilities to enable the sustainable growth of its businesses.

The Group expertises in specialty therapeutic fields, and has accumulated proven and successful experience in market access, academic promotion, brand building, government affairs, etc. It has established a resource-sharing commercialization platform that is compliant, efficient and mature, which consists of a professional and highly qualified promotion team with strong execution capability, and extensive channel resources as well as a wide range of expert networks in specialty fields, allowing CMS to build a long track-record of creating professional brand images and developing market-leading positions for its marketed products. At the same time, through conducting in-depth research and analysis of firsthand market information, the Group is able to dynamically refine its strategies for market positioning and sales promotion of its pipeline products, thus to lay a solid foundation for the rapid marketing strategy formulation and expert network building after their launch. In addition, the Group adheres to its business philosophy of compliance and responsibility, having further refined its management mechanism of employee behavior, planning and execution, performance review and assessment, and improved its multi-level employee training system, which has greatly enhanced the management efficiency and teams' execution capability. As at 30 June 2022, the Group's promotion network covered over 50,000 hospitals and medical institutions, and more than 200 thousand retail pharmacies in China.

In order to further improve the business scale and efficiency in specialty therapeutic fields, and maximize the synergy among the Group's resources, the Group has established four major business segments: cardio-cerebrovascular and gastroenterology, dermatology and medical aesthetics, ophthalmology, and consumer healthcare.

1. Cardio-cerebrovascular and Gastroenterology Business

The Group focuses on life-threatening and chronic diseases in the cardio-cerebrovascular and gastrointestinal fields, and has established a high-quality marketed products portfolio and a solid innovation pipeline. During the Reporting Period, the Group continued to promote post-marketing clinical studies for its marketed products, to enrich products' evidence-based medical evidence and gain recommendations from academic diagnosis and treatment guidelines as well as expert consensus, thus to build professional brand recognition for its products. Meanwhile, via online and offline academic conferences, the Group effectively promoted the delivery of academic information into clinical practice, and expanded its hospital and expert networks coverage. At the same time, the Group leveraged digital tools and new media promotion channel, combined with activities such as diverse academic promotion and disease related knowledge popularization, to enhance the brand awareness of its products and further increase traffic and penetration in the chain-pharmacies-based retail market.

2. Dermatology and Medical Aesthetic Business

Basing on the Group's resources in the dermatology field accumulated for years, "CMS Aesthetics" has accelerated its business development via "in-house development and external collaboration", and strives to become the largest and most professional company in dermatology and medical aesthetic health management in China. In the first half of 2022, with enhanced systematic integration of its internal resources, including products, channels and talents, and improvement of its operation facilities, talents training and retention programs, the operation system of "CMS Aesthetics" has become matured. Meanwhile, "CMS Aesthetics" actively promoted screening and evaluation of differentiated dermatology prescription medicines, light medical aesthetic products, energy-based medical aesthetic devices and dermatology grade skincare products, expecting to meet customers' diverse needs for skin health and aesthetics with its continuously enriched product portfolio.

During the Reporting Period, via continuously organizing dermatology disease related academic forums, "CMS Aesthetics" expanded its expert network coverage, and stabilized the market position of its dermatology prescription products. Meanwhile, "CMS Aesthetics" constantly refined its product promotion strategies to maximize the synergic and complementary effects among its products. For medical aesthetic products featured with both medical and aesthetic attributes, "CMS Aesthetics" adhered to a rigorous and professional attitude, and leveraged its academic resources in the dermatology field to interpret the efficacy of the products; "CMS Aesthetics" also deeply engaged in premium customer service and management through organizing professional skill training and academic conferences targeting doctors in medical aesthetic institutions, so as to strengthen its brand influence. In addition, with in-depth analysis of consumer demands, "CMS Aesthetics" has built differentiated and innovative marketing concepts via

multi-dimensional new media promotion. Through compliant and professional promotion, the Group expected to enhance the brand influence of its medical aesthetic product series, and empower the healthy and sustainable development of the industry ecosystem.

During the Reporting Period, "Carnation", a focused ultrasound technology R&D platform of "CMS Aesthetics", based on the market demands and a scientific mindset, and leveraged its ultrasound technology accumulated for years to further expand the technology application in the medical aesthetic field, with three major product series being developed:

FUBA Focused Ultrasound Fat Reduction Device Series

Focused ultrasound is one of the main non-invasive body shaping technologies. This product series uses the mechanical and cavitation effects of ultrasound to crush the target adipocyte, and has the advantages of being faster (no fat ablation production metabolism process), safer (no damage to blood vessels, nerves and other tissues) and more comfortable (less pain), etc., compared with thermal ablation technologies. The clinical development of FUBA5200 Focused Ultrasound Body Contouring System (for non-invasive body shaping and fat reduction), the major product of this series, is proceeding in an orderly manner.

LITU Focused Ultrasound Skin Treatment Series

This product series mainly acts on skin tissues such as dermis, superficial musculoaponeurotic system (SMAS) and superficial fat layers. It stimulates collagen regeneration and fat reduction, to achieve the rejuvenation treatment effect of skin smoothing, wrinkles removal, and face lifting.

MEBA Ultrasonic Transdermal Delivery Series

This product series is developed for transdermal delivery of liquid medicine into the skin mesoderm in a non-invasive method. It uses a compound technology that is based on the ultrasound technology, and combines with other transdermal delivery technologies such as jet injection and electroporation, to deliver the liquid medicine to a deeper layer of skin and achieve a better treatment effect.

3. Ophthalmology Business

The Group has been deeply engaged in the ophthalmic field for many years, and in order to improve the operation scale and efficiency in the field, the Group promoted the independent operation of the ophthalmology business, committed to developing it into a "leading ophthalmology pharmaceutical and device company in China". During the Reporting Period, the Group has proceeded the transformation of the ophthalmology business into an independent operation system in an orderly manner, and proactively promoted the establishment of the commercialization platform for ophthalmic medicines and devices. As the National Health Commission of China issued the *14th Five-Year National Eye Health Plan (2021-2025)*,

China's ophthalmic market is expected to usher in a period of rapid growth. Under this background, the Group has broadened its product screening range to ophthalmic medical devices and consumables from ophthalmic prescription medicines, and continued to strengthen its commercialization capability for its products portfolio, which would place more development opportunities for the ophthalmology business.

During the Reporting Period, benefiting from the independent operation of its specialty business, the Group's ophthalmology business has become more focused, which has helped to increase the brand influence of its products. Besides, it solidified its academic platform by increasing expert education via ophthalmic academic conferences. Leveraging competence brought by product attributes, it expanded its retail network and introduced prescription traffic into retail market through branding operation on new media platforms and refined customer management on retail channels, which all further consolidated the Group's competitiveness in the ophthalmology field.

4. Consumer Healthcare Business

During the Reporting Period, "CMS Health" actively adjusted its operation strategy, changing from the previous "hypermarket" into the "trending brand operation" model with less and well-selected products. With the purpose of systematically improving its products brand reputation, "CMS Health" precisely positions its core products to target customers and rapidly expands product awareness. By influencing the consumers' mindset in a path of "cognition- interest- purchase- loyalty", it has gradually formed a complete closed-loop from brand building to sales transformation. At the same time, "CMS Health" actively optimized its internal organizational structure to adapt to the adjusted model, to comprehensively escort the development of the "trending brand operation" model.

5. Marketed Products

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

Product Line	Product	Indication/ Function	Product Advantage
Cardio-cerebrovascular Line	Plendil (Felodipine Sustained Release Tablets)	Hypertension and stable angina pectoris	Calcium Channel Blocker (CCB) medicine suitable for Chinese patients, providing cardio-cerebrovascular protection and high vascular selectivity

	XinHuoSu (Recombinant Human Brain Natriuretic Peptide for Injection)	Acute decompensated heart failure	The only Recombinant Human Brain Natriuretic Peptide (rhBNP) medicine available in Chinese market as at 30 June 2022
	Deanxit (Flupentixol and Melitracen Tablets)	Mild-to-moderate depression, anxiety and psychosomatic affections	Ranking the first in the market share of antidepressant medicines in China according to 2021 IQVIA data
Gastroenterology Line	Ursofalk (Ursodeoxycholic Acid Capsules)	Cholesterol gallstones in the gallbladder, cholestatic liver disease and biliary reflux gastritis	Stably ranking the first in sales among products in Chinese cholagogue market according to 2021 IQVIA data
	Salofalk (Mesalazine)	Ulcerative colitis, including the treatment of acute exacerbations and the maintenance treatment to prevent recurrence, as well as the treatment of acute exacerbations of Crohn's disease	Ranking the first in the market share of aminosalicylic acid, a first-line treatment for inflammatory bowel disease, in China according to 2021 IQVIA data
	Bioflor (Saccharomyces Boulardii Sachets)	Diarrhea in adults and children, as well as diarrhea symptoms induced by intestinal flora disturbance	Probiotics preparations with abundant medical evidence and high-level recommendations from authoritative domestic and overseas guidelines
	Combizym (Oryz-aspergillus Enzyme and Pancreatin	Dyspepsia caused by a decrease in digestive enzymes	Effective in both stomach and intestines, the recommended digestive enzyme preparation for the

	Tablets)		replacement therapy of pancreatic exocrine insufficiency
Ophthalmology Line	Augentropfen Stulln Mono Eye Drops (Esculin and Digitalisglycosides Eye Drops)	Senile macular degeneration and all forms of asthenopia	The representative medicine for the treatment of asthenopia and the safe and convenient option for treatment of senile macular degeneration
Dermatology Line	Hirudoid (Mucopolysaccharide Polysulfate Cream)	Blunt traumata with or without hematomas, and superficial phlebitis that cannot be treated by compression	Repair agent for skin barrier with multiple functions
	Aethoxysklerol (Polidocanol Injection)	Different specifications for sclerotherapy of different varicose veins, including spider veins, central veins of spider veins, and medium to large varicose veins	The international brand for the treatment of sclerotherapy of varicose veins with years of clinical application
Medical Aesthetic Product	Vmonalisa (Modified sodium hyaluronate filler for injection)	Used for mid to deep dermal implantation for the correction of moderate to severe nasolabial folds	Painless, fashionable and accessible luxury medium-to-macro-particle HA filler (containing Lidocaine) from South Korea, featured with high safety, natural effect and good cost-effectiveness

	Stratamark* (Self-drying Silicone Scar Therapy Gels)	Approved in China for prevention and improvement of hypertrophic scars; approved in the U.S., Switzerland, Australia, etc. for prevention and treatment of striae distensae (stretch marks)	Applied once daily, clinically proven topical silicone gel with efficacy and safety to prevent and treat stretch mark
	Strataderm (Self-drying Silicone Scar Therapy Gels)	Prevention and improvement of hypertrophic scars	An effective silicone gel indicated for prevention of hyperplasia and improvement of new and old scars for a wide population
	Mesoestetic-Mesohyal Series (including 5 products)	Skin firming, moisturizing, elasticity increasing, etc.	Matching therapies to provide customized medical aesthetic solutions
	Neauvia Hyaluronic Acid Series (including 4 products)	Superficial and deep skin filling, long-term moisturizing	Crossing with polyethylene glycol based on a unique cross linker technology SMART, the product has excellent rheology, high biocompatibility and good integrity
Dermatology Grade Skincare Product	Atopic Piel Series (including 5 products)	Skin nourishing, moisturizing and dryness reliving	A combination of washing and moisturizing to repair the damaged skin barrier, relieve itching of sensitive skin

* Stratamark (the Australia-approved version) is sold on the Group's cross-border e-commerce platform.

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

- The products under cardio-cerebrovascular line recorded a revenue of RMB2,141.4 million, an increase of 19.7% compared with the same period last year. In the case that all medicines were directly sold by the

Group, the revenue of products under cardio-cerebrovascular line would increase by 26.0% to RMB2,924.4 million compared with the same period last year, accounting for 56.6% of the Group's revenue in the case that all medicines were directly sold by the Group.

- The revenue of products under gastroenterology line increased by 17.4% to RMB1,707.7 million compared with the same period last year, accounting for 33.0% of the Group of revenue in the case that all medicines were directly sold by the Group.
- The revenue of the product under ophthalmology line increased by 14.2% to RMB189.5 million, compared with the same period last year, accounting for 3.7% of the Group's revenue in the case that all medicines were directly sold by the Group.
- The revenue of the products under dermatology line increased by 11.4% to RMB146.5 million, compared with the same period last year, accounting for 2.8% of the Group's revenue in the case that all medicines were directly sold by the Group.
- Other products recorded a revenue of RMB262.6 million, a decrease of 12.8% compared with the same period last year. In case that all medicines were directly sold by the Group, the revenue would increase by 3.2% to RMB201.8 million compared with the same period last year, accounting for 3.9% of the Group's revenue in the case that all medicines were directly sold by the Group.

IV. International Development—Southeast Asia Business

Since becoming a member of the ICH, China's regulatory system for innovative medicines has been in line with the international standards, and the demands from overseas market has increased rapidly, which presented a critical opportunity for Chinese biopharmaceutical companies to expand their product market space via the international development. Under this background, based on its rapid developing economic level, steady growing population base and a series of supportive policies, the Southeast Asian market has provided a favorable environment for pharmaceutical R&D, manufacturing and sales, and has become an important market for Chinese pharmaceutical companies to go abroad. With a focus on the huge demands for affordable and quality products in Southeast Asia, the Group entered the Southeast Asian market by leveraging on its capabilities and resources accumulated, including over 20 years' experiences of global investment and acquisition in quality products, proven commercialization capability in China, and has set up a management center in Singapore and covered markets in Indonesia, Philippines, Vietnam and other Association of Southeast Asian Nations (ASEAN).

During the Reporting Period, through the recruitment of local quality talents in Southeast Asia, the Group's Southeast Asia Business has gradually established a core management team with rich experience in specific fields and the ability to rapidly set foot in local markets. Besides, the Group aimed to build an organizational structure that mainly covers product development, manufacturing, preparation CDMO (Contract Development and Manufacturing Organization), marketing and promotion, and form a platform that covers

core operational stages of products by integrating and sharing resources within the Group. Through promoting win-win cooperation and advantage complementarity, the Group aims to promote the development, registration and commercialization of quality products that could meet local needs in Southeast Asia, and empower biotech and pharmaceutical companies from Europe, the U.S., Japan and China to rapidly enter the Southeast Asian market, striving to build a solid and reliable "bridgehead" in Southeast Asia.

Events After the Reporting Period

Acquisition of Ophthalmic Bispecific Antibody Product Assets

On 26 July 2022, the Group through a wholly-owned subsidiary of the Company – an ophthalmology business company entered into an Asset Transfer Agreement (the "Agreement") with Wuhan YZY Biopharma Co., Ltd ("YZY Biopharma"), a biopharmaceutical company, to acquire all the assets related to VEGF/ANG2 tetravalent bispecific antibody for intravitreal injection (the "Bispecific Antibody Product") in the world (the "Territory") from YZY Biopharma. In accordance with the Agreement, the assets related to the Bispecific Antibody Product in the Territory (the "Bispecific Antibody Product Assets") include but are not limited to (i) all necessary rights and assets to use, develop, register, manufacture, commissioned manufacture, sell, distribute, promote and commercialize the Bispecific Antibody Product in the Territory and (ii) all intellectual property and intellectual property rights relevant to the Bispecific Antibody Product owned or controlled by YZY Biopharma or its affiliates.

The Bispecific Antibody Product is a Class 1 Innovative Biological Product with a unique nanobody design for treatment of ocular fundus neovascular diseases, targeting VEGF (vascular endothelial growth factor) and ANG2 (angiopoietin 2), which effectively inhibits abnormal neovascularization through two different pathways. The Bispecific Antibody Product enjoys the advantages of high affinity, strong inhibitory activity, high preparation concentration, good stability and low dosing frequency.

Signing an Exclusive License Agreement for EyeOP1® Glaucoma Treatment Device

On 12 August 2022, the Group through certain subsidiaries of the Company (i) entered into a License, Collaboration and Distribution Agreement (the "License Agreement") with EYE TECH CARE ("ETC"), a medical company of France, for EyeOP1® ultrasound glaucoma treatment device (the "EyeOP1® Glaucoma Treatment Device" or the "Product") and (ii) made equity investment and acquired approximately 33.4% equity interest in ETC. In accordance with the Licence Agreement, the Group through its subsidiaries gained an exclusive license to import, export, develop, register, manufacture (subject to the terms and conditions as set out in the License Agreement) and commercialize the Product in Mainland China, Hong Kong Special Administrative Region, Macao Special Administrative Region, Taiwan Region and the eleven Southeast

Asian countries (the "Territory"). The License Agreement will commence on its effective date and continue to be valid for a period of thirty years. Upon the expiration of the aforementioned term, the License Agreement may be automatically renewed for every single period of five years thereafter as per certain conditions defined in the License Agreement.

The EyeOP1® Glaucoma Treatment Device was approved by the China National Medical Products Administration (NMPA) in 2017 as a Class Ⅲ medical device for the treatment of glaucoma patients whose intraocular pressure cannot be controlled by drugs and surgery. It also obtained market-approval in certain European, Southeast Asian, Middle Eastern countries and Mexico. The Product is composed of a sterile treatment probe and the main control unit. Its core technology is high-intensity focused ultrasound (HIFU), which has the characteristics of precise targeting of the ciliary epithelial area and precise temperature control. Thereby, it gently coagulates ciliary epithelial cells, reduces aqueous humor production and decreases intraocular pressure to achieve the purpose of treating glaucoma. The surgical method of the Product is called Ultrasound Cyclo Plasty (UCP), which is a simple, fast, non-invasive and safe treatment method. The treatment process can be controlled within 5 minutes, reducing the pain and recovery time of patients.

Obtaining Exclusive License for Insulin Products in Southeast Asian Countries

On 15 August 2022, the Group through a subsidiary of the Company – a Southeast Asian business company Rxilient Medical Pte. Ltd. ("Rxilient") entered into a License, Collaboration and Supply Agreement (the "License Agreement") with Hefei Tianmai Biotechnology Development Co., Ltd. ("HTBT"), a biopharmaceutical company, for the second-generation insulin series products and the third-generation insulin analogue glargine insulin injection (the "Insulin Products" or the "Products"). In accordance with the License Agreement, the Group through Rxilient gained an exclusive license to register, market, sell and distribute the Products in the eleven Southeast Asian countries (the "Territory"). The License Agreement will commence on its effective date and continue to be valid until the tenth anniversary of the date of the Products' first commercialization in the Territory. Upon the expiration of the aforementioned term, the License Agreement may be automatically renewed for every single period of three years thereafter as per certain conditions defined in the License Agreement.

The Insulin Products are clinically used to treat diabetes. The Products are derived from Israeli platform technology, produced by genetic engineering technology, and adopts an efficient, environment-friendly and energy-saving active pharmaceutical ingredients (API) production process, which can effectively control their quality and cost.

Acquisition of a Dermatology-grade Skincare Products Platform Company and Achieving Strategic Collaboration

The Group through a subsidiary of the Company – a dermatology medical aesthetic company ("CMS Aesthetics") made equity investment in Heling Medical (Guangzhou) Company Limited (禾零医药(广州)有限公司) ("Heling") and obtained 60% equity interest in Heling (the "Equity Investment"). Following the Equity Investment, Heling became a subsidiary of the Company. Heling's current products include Heling soothing moisturizing repair cream, Heling soothing repair lotion and Heling soothing moisturizing bath oil (the "Dermatology-grade Skincare Products" or the "Products"). On 19 August 2022, the Group through CMS Aesthetics entered into an Exclusive License Agreement with Heling for the Dermatology-grade Skincare Products.

The Dermatology-grade Skincare Products are composed of a variety of mild ingredients with Level-1 safety risk, containing no preservatives, mineral oil or alcohol. They are mild, non-irritating and suitable for sensitive skin. The cosmetic efficacy tests of the Products were completed in cooperation with Guangdong Provincial Dermatology Hospital.

Impacts of Significant Industrial Policies

In the first half of 2022, the major directions of macro-regulatory policies in the pharmaceutical industry remained constant. With clearer rules of the National Reimbursement Drug List ("NRDL") negotiation and inclusion contract renewal, and the normalized and institutionalized implementation of the National Volume Based Procurement ("National VBP"), the relevant policies' impacts on the industry and the Group have become more predictable. During the Reporting Period, there were no significant industrial policies that had a material adverse impact on the Group's operation and profitability.

As at 30 June 2022, the Group mainly had 10 exclusive/original medicines that are marketed, 7 of which had been included in the NRDL. During the Reporting Period, there were no major marketed products of the Group being newly included into or excluded from the NRDL, nor included into the NRDL negotiation list. In addition, the chemical name of the Group's major marketed product Deanxit, Flupentixol and Melitracen Tablets, was included in the seventh National VBP catalog; and in July 2022, the tendering process of the seventh National VBP officially kicked off, Deanxit wasn't selected. Deanxit is manufactured by H. Lundbeck A/S of Denmark and used for the treatment of mild-to-moderate depression, anxiety and psychosomatic affections, and has been promoted and sold in China for over 20 years. The product is an original medicine with oral application, with well-recognized brand image, high retail market contribution and other advantages. The Group will continue to strengthen the brand building of its products, and the implementation of seventh batch of National VBP is not expected to produce material negative impact on the future operation and profitability of the Group.

The Group will constantly conduct forward-looking analysis of policies, as well as market demands and competitive landscape, to optimize its operation strategies. It will also continue to increase its investment in

innovation with a differentiated strategy and effectively promote the clinical development and commercialization of innovative products. Meanwhile, the Group will continuously expand its business boundary and accelerate the development of its new businesses which are featured with both consumer and medical attributes, while making efforts in the international development, so as to hedge against the potential risk of the Group's marketed products being included in the National VBP in the future, and further ensure the sustainable growth of the Group.

Future Development

The year of 2022 marks the 30th anniversary of the Group's establishment, which also stands for 30 years of continuous innovation, exploration, transformation and growth. Facing the rapid change of external environment, the Group proactively makes changes and capitalizes on its strength accumulated over years, to constantly enhance its enterprise value.

With the mission of "providing competitive products and services to meet the unmet healthcare and aesthetic needs", the Group adheres to its differentiated development strategy with a focus on specialty fields. The Group will continue to improve its internal organizational atmosphere and management structure, to solidify highly professional, self-motivated and dedicated teams of product commercialization. At the same time, through enhanced supervision and support from its central function to each division, the Group will improve its comprehensive and refined management system in a compliant setting. This will empower the divisions to gain leading positions in specialty markets, and further upgrade its compliant and efficient commercialization platform with "CMS characteristics".

Adhering to the differentiated innovation standard, the Group will continue to capitalize on core advantageous resources brought by its commercialization platform and inherent market sensitivity, to explore and identify cutting-edge clinical needs. The Group will also use its sufficient financial footing to increase the investment and acquisition of global innovative technology platforms or products, to promote the advantage complementarity and resource integration in the industry. In addition, the Group will keep improving its internal management system that covers key stages of the product life cycle, and increasing the efficiency from clinical development to commercialization, so as to enable the incubation of innovative technologies to the ultimate benefit of patients.

Rooted deeply in the Chinese market, the Group will continuously implement the globalization development strategy, and expand its businesses into Southeast Asia and others. Through establishing an integrated platform covering R&D, manufacturing and sales, the Group will be able to empower biotech and pharmaceutical companies from Europe, the U.S., Japan and China to rapidly enter Southeast Asia, thus to build a pharmaceutical ecosystem for global development in a collaborative setting for the benefit of all partners, while achieving quality and sustainable development of the Group.

As the Group stands at a starting point of a new journey after 30 years of innovation and endeavor, it will continue to adhere to its patient-centered principle and actively fulfill its corporate social responsibilities. Following our original mission, we will forge ahead, pursue quality development through continuous innovation, and constantly upgrade the capacity and efficiency of our platforms, effectively linking pharmaceutical innovation and commercialization to enable innovative breakthroughs and sustainable development of clinical practice in the world.

Financial Review

Turnover

Turnover increased by 15.7% from RMB3,843.0 million for the six months ended 30 June 2021 to RMB4,447.8 million for the six months ended 30 June 2022; in the case that all medicines were directly sold by the Group, turnover increased by 21.1% to RMB5,170.0 million for the six months ended 30 June 2022 from RMB4,269.3 million for the six months ended 30 June 2021, mainly due to an increase in sales volume.

Gross Profit and Gross Profit Margin

Gross profit increased by 19.6% from RMB2,873.8 million for the six months ended 30 June 2021 to RMB3,436.2 million for the six months ended 30 June 2022; in the case that all medicines were directly sold by the Group, gross profit increased by 22.1% from RMB2,764.6 million for the six months ended 30 June 2021 to RMB3,375.0 million for the six months ended 30 June 2022, primarily reflecting growth in turnover. For the six months ended 30 June 2022, gross profit margin was 77.3%, representing an increase of 2.5 percentage points from 74.8% for the six months ended 30 June 2021; in the case that all medicines were directly sold by the Group, gross profit margin increased by 0.5 percentage point to 65.3% for the six months ended 30 June 2022 from 64.8% for the six months ended 30 June 2021, mainly due to a change in the sales weight of existing products.

Selling Expenses

Selling expenses increased by 22.5% from RMB1,043.6 million for the six months ended 30 June 2021 to RMB1,278.5 million for the six months ended 30 June 2022. Selling expenses as a percentage of turnover was 28.7% for the six months ended 30 June 2022, representing an increase of 1.5 percentage points from 27.2% for the six months ended 30 June 2021. In the case that all medicines were directly sold by the Group, selling expenses as a percentage of turnover increased by 1.6 percentage points to 23.5% for the six months ended 30 June 2022 from 21.9% for the six months ended 30 June 2021, mainly due to an increase in academic promotion conferences and relatively more resources injected to the development of new businesses.

Administrative Expenses

Administrative expenses increased by 75.4% from RMB159.4 million for the six months ended 30 June 2021 to RMB279.7 million for the six months ended 30 June 2022. Administrative expenses as a percentage of turnover for the six months ended 30 June 2022 was 6.3%, representing an increase of 2.2 percentage points from 4.1% for the six months ended 30 June 2021. In the case that all medicines were directly sold by the Group, administrative expenses as a percentage of turnover increased by 1.7 percentage points to 5.4% for the six months ended 30 June 2022 from 3.7% for the six months ended 30 June 2021, primarily reflecting an increase in maintenance expenses in order to develop new businesses.

Research and Development Expenditures

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

Total research and development expenditures decreased by 69.0% from RMB407.0 million for the six months ended 30 June 2021 to RMB126.0 million for the six months ended 30 June 2022. Total research and development expenditures as a percentage of turnover for the six months ended 30 June 2022 was 2.8%, representing a decrease of 7.8 percentage points from 10.6% for the six months ended 30 June 2021. In the case that all medicines were directly sold by the Group, total research and development expenditures as a percentage of turnover decreased by 7.1 percentage points to 2.4% for the six months ended 30 June 2022 from 9.5% for the six months ended 30 June 2021, primarily reflecting a decrease in investments and expenditures on new innovative product pipelines.

Research and development expenses increased by 50.7% from RMB36.9 million for the six months ended 30 June 2021 to RMB55.6 million for the six months ended 30 June 2022. Research and development expenses as a percentage of turnover for the six months ended 30 June 2022 was 1.2%, representing an increase of 0.2 percentage point from 1.0% for the six months ended 30 June 2021. In the case that all medicines were directly sold by the Group, research and development expenses as a percentage of turnover for the six months ended 30 June 2022 was 1.1%, representing an increase of 0.2 percentage point from 0.9% for the six months ended 30 June 2021, primarily reflecting an increase in clinical trial expenditures.

Payments for acquisition of equity investments in research and development companies and payments for

acquisition of innovative product rights and expenditures on clinical trial of innovative products (set out in the table below) decreased by 81.0% from RMB370.2 million for the six months ended 30 June 2021 to RMB70.5 million for the six months ended 30 June 2022. Such capital payments as a percentage of turnover for the six months ended 30 June 2022 was 1.6%, representing a decrease of 8.0 percentage points from 9.6% for the six months ended 30 June 2021. In the case that all medicines were directly sold by the Group, such capital payments as a percentage of turnover decreased by 7.3 percentage points to 1.4% for the six months ended 30 June 2022 from 8.7% for the six months ended 30 June 2021.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Payment for acquisition of equity investments in research and development companies	1,440	265,866
Payment for acquisition and development of product rights	69,023	104,328
	70,463	370,194

Other Income

Other income increased by 59.4% from RMB68.3 million for the six months ended 30 June 2021 to RMB108.8 million for the six months ended 30 June 2022, mainly reflecting increases in interest income and government subsidies.

Other Gains and Losses

Other gains and losses increased by 445.7% from an other gain of RMB11.0 million for the six months ended 30 June 2021 to an other gain of RMB60.1 million for the six months ended 30 June 2022, mainly due to increases in fair value change gain on equity investments and exchange loss.

Share of Result of Associates

Share of result of associates decreased by 25.2% from RMB110.2 million for the six months ended 30 June 2021 to RMB82.4 million for the six months ended 30 June 2022, mainly reflecting a decrease in profit of the associate Tibet Pharmaceutical.

Finance Costs

Finance costs increased by 149.4% from RMB7.3 million for the six months ended 30 June 2021 to RMB18.1 million for the six months ended 30 June 2022, mainly due to an increase in interest-bearing liabilities.

Income Tax Expense

Income tax expense increased by 40.5% from RMB184.6 million for the six months ended 30 June 2021 to RMB259.4 million for the six months ended 30 June 2022, primarily reflecting an increase in profit of the Group.

Profit for the Period

Profit for the period increased by 10.1% from RMB1,631.6 million for the six months ended 30 June 2021 to RMB1,796.3 million for the six months ended 30 June 2022, mainly due to the continuous growth in turnover.

Inventories

Inventories increased by 24.9% from RMB472.6 million as at 31 December 2021 to RMB590.5 million as at 30 June 2022. Average inventory turnover days increased by 22 days from 74 days for the six months ended 30 June 2021 to 96 days for the six months ended 30 June 2022, primarily reflecting the volatility of safe inventories level of the Group.

Trade Receivables

Trade receivables increased by 6.7% from RMB1,395.8 million as at 31 December 2021 to RMB1,489.1 million as at 30 June 2022. Average trade receivables turnover days increased by 10 days from 64 days for the six months ended 30 June 2021 to 74 days for the six months ended 30 June 2022, mainly due to a relatively slow collection of payments from some of customers.

Trade Payables

Trade payables decreased by 8.3% from RMB145.9 million as at 31 December 2021 to RMB133.8 million as at 30 June 2022. Average trade payables days decreased by 7 days from 32 days for the six months ended 30 June 2021 to 25 days for the six months ended 30 June 2022, primarily reflecting the difference in time points of inventory purchases.

Liquidity, Financial Resources, Capital Structure and Gearing Ratio

As at 30 June 2022, the Group's bank balances and cash amounted to RMB4,019.1 million while readily realizable bank acceptance bills amounted to RMB310.5 million. As at 31 December 2021, our bank balances and cash amounted to RMB3,385.7 million while readily realizable bank acceptance bills amounted to RMB453.4 million.

The Group had bank borrowings of RMB1,770.8 million as at 30 June 2022 (31 December 2021:

RMB1,677.6 million). The weighted average interest rate of loans was 1.4% per annum. All the loans were due within one year and then classified as current liabilities.

As at 30 June 2022 and 31 December 2021, the Group had a gearing ratio (being the bank borrowings of the Group divided by the total assets of the Group) of approximately 10.4% and 10.6%, respectively.

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

Exposure to Fluctuations in Exchange Rates and Interest Rates

The Group is mainly exposed to currency risk of the US$, EUR, GBP, CHF and HK$. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. Any significant exchange rate fluctuations of foreign currencies against RMB may have a financial impact on the Group. The Group closely monitors the fluctuation of exchange rates and reviews the foreign currency risk management strategy from time to time, and the management will consider hedging foreign currency exposure as appropriate. As at 30 June 2022, the Group has entered into certain foreign exchange forward contracts to hedge the foreign currency risk.

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

Pledge of Assets

As at 30 June 2022, the Group had no pledge of assets.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

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

On 27 March 2020, Sky United Trading Limited, a wholly-owned subsidiary of the Company (as borrower, the "Borrower") and the Company (as guarantor) entered into a facility agreement (the "SC Facility Agreement") with Standard Chartered Bank (Hong Kong) Limited (as lender) in respect of a US$40,000,000 term loan facility (the "SC Facility") made available to the Borrower for a term of 36 months from the first utilization date under the SC Facility Agreement. On 26 May 2021, CMS International Development and Management Limited, a wholly-owned subsidiary of the Company (as borrower, the "Borrower") and the Company (as guarantor) entered into a facility agreement (the "DBS Facility Agreement") with DBS Bank (China) Limited (as lender) in respect of a US$50,000,000 term loan facility (the "DBS Facility") made

available to the Borrower for a term of 22 months from the first utilization date under the DBS Facility Agreement.

Pursuant to the SC Facility Agreement and DBS Facility Agreement, if, among other things, Mr. Lam Kong, the chairman of the Board, an executive director and a controlling shareholder (as defined in the Listing Rules) of the Company: (i) ceases to directly or indirectly own more than 30% of the total issued shares (of each class) in the Company; or (ii)ceases to directly or indirectly be the single largest shareholder in the issued shares (of each class) in the Company, the lender may, by not less than 30 days' notice in advance to the Borrower, cancel all commitments under the SC Facility and DBS Facility, respectively, and declare that all outstanding loans together with accrued interest and all other amounts accrued under the SC Facility and DBS Facility, respectively, will become immediately due and payable. As at 30 June 2022, Mr. Lam Kong (directly and indirectly) held approximately 46.38% of the total issued ordinary share capital of the Company.

OTHER INFORMATION

Share Option Scheme

The Company has not implemented a share option scheme. As at 30 June 2022, there were no outstanding share options of the Company.

Interim Dividend

The Board has resolved to pay an interim dividend of RMB0.2930 (equivalent to HKD0.337) per ordinary share of the Company for the six months ended 30 June 2022 to the shareholders whose names appear on the register of members of the Company after market closes on Wednesday, 7 September 2022 (the "Record Date"). Payment of such interim dividend is expected to be paid to the shareholders on about Thursday, 15 September 2022.

Closure of Register of Members

The register of members of the Company will be closed on Wednesday, 7 September 2022, on which the registration of transfer of shares of the Company ("Shares") will be suspended. To qualify for the interim dividend, all transfer forms of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 6 September 2022.

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

During the Reporting Period, the Company and/or its subsidiaries repurchased an aggregate of 4,730,000 ordinary shares with a nominal value of US$0.005 each on the SEHK at an aggregate consideration of HK$52,651,540. All of the purchased shares were cancelled before 30 June 2022. The Board believes that given the current financial resources of the Company, the share repurchase would not affect the Company's solid financial position in any material respect, and it would lead to an enhancement of the net asset value per share and/or earnings per share, which is in the interest of the shareholders as a whole.

Details of the repurchase are as follows:

Month of Repurchase	Number of Shares Repurchased*	Price per Share (HK$)		Aggregate Consideration Paid (HK$)
		Highest Price	Lowest Price	
March 2022	130,000	11.34	11.04	1,447,520
April 2022	3,600,000	11.90	10.46	40,227,820
May 2022	1,000,000	11.16	10.64	10,976,200
Total	4,730,000	-	-	52,651,540

Saved as disclosed above, during the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

Audit Committee

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

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

The Company's interim result announcement and interim report for the six months ended 30 June 2022 have been reviewed by the Audit Committee of the Company and approved by the Board with recommendation of the Audit Committee.

Corporate Governance Practices

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

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

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

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

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules (as amended from time to time) as the code of conduct for Directors' securities transactions. Having made specific inquiries in relation to the compliance with the Model Code for securities transactions by Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code during the Reporting Period. The Model Code also applies to other specified senior management of the Company.

Employees who are likely to be in possession of unpublished price-sensitive information about the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code. No incident of non-compliance with the guidelines by such employees was noted by the Company during the Reporting Period.

Disclosure of Information

The information provided in this announcement is only the summary of 2022 interim report of the Company. The 2022 interim report of the Company will be duly dispatched to shareholders of the Company and published on websites of the SEHK (www.hkexnews.hk) and the Company (www.cms.net.cn).

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

Hong Kong, 22 August 2022

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