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LANSEN PHARMACEUTICAL HOLDINGS LIMITED
朗生醫藥控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 503)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	**Change**
Results (US$'000):			
Revenue	**31,386**	31,991	-1.9%
Gross profit	**20,540**	21,936	-6.4%
Profit from operations	**7,536**	9,167	-17.8%
Profit before income tax	**6,736**	8,078	-16.6%
Profit attributable to owners of the Company	**5,612**	6,796	-17.4%
Profitability:			
Gross profit margin	**65.4%**	68.6%	-3.2%
Net profit margin	**17.9%**	21.2%	-3.3%
		(restated)	
Basic and diluted earnings per share *(US cents)*	**1.33**	1.65	-0.32

The board of directors (the "Board") of Lansen Pharmaceutical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as "Lansen" or the "Group") for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	**Six months ended 30 June 2023 *US$'000* (unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Revenue	*4*	**31,386**	31,991
Cost of sales		**(10,846)**	(10,055)
Gross profit		**20,540**	21,936
Other income	*4*	**931**	659
Selling and distribution expenses		**(9,159)**	(8,235)
Administrative expenses		**(3,672)**	(4,353)
Research and development costs		**(1,050)**	(959)
Loss allowance (recognised)/reversed on financial assets		**(54)**	119
Profit from operations		**7,536**	9,167
Other non-operating income and expenses, net	*6*	**(87)**	(127)
Finance income	*7*	**584**	333
Finance costs	*7*	**(788)**	(873)
Share of post-tax result of associates		**(509)**	(422)
Profit before income tax	*8*	**6,736**	8,078
Income tax expense	*9*	**(1,124)**	(1,282)
Profit for the period		**5,612**	6,796

	Note	**Six months ended 30 June 2023** *US$'000* **(unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation of foreign operations		**(3,480)**	(5,016)
Other comprehensive income for the period, net of tax		**(3,480)**	(5,016)
Total comprehensive income for the period		**2,132**	1,780
Profit attributable to owners of the Company		**5,612**	6,796
Total comprehensive income attributable to owners of the Company		**2,132**	1,780
		US cents	*US cents* (restated)
Earnings per share			
— Basic and diluted	*11*	**1.33**	1.65

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 US$'000 (unaudited)	31 December 2022 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**17,858**	19,553
Right-of-use assets		**1,454**	1,698
Investment property		**525**	555
Intangible assets		**21,077**	21,213
Goodwill		**6,824**	6,824
Deferred tax assets		**1,271**	859
Interests in associates		**293**	813
		49,302	51,515
Current assets			
Inventories		**11,503**	10,032
Trade and other receivables	*12*	**29,891**	37,132
Loan to an associate	*13*	**9,483**	8,974
Pledged bank deposits		**13,026**	9,814
Restricted bank deposits		**15,385**	15,165
Cash and cash equivalents		**46,385**	51,326
		125,673	132,443
Total assets		**174,975**	183,958
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**4,224**	4,204
Share premium		**17,349**	17,204
Treasury shares		**(359)**	(2,350)
Foreign exchange reserve		**(5,876)**	(2,396)
Statutory reserve		**11,549**	11,549
Retained profits		**96,753**	93,739
Total equity		**123,640**	121,950

	Note	30 June 2023 US$'000 (unaudited)	31 December 2022 US$'000 (audited)
Non-current liabilities			
Lease liabilities		–	31
Deferred tax liabilities		**1,953**	2,012
		1,953	2,043
Current liabilities			
Borrowings		**17,576**	18,235
Lease liabilities		**180**	330
Current tax liabilities		**1,403**	777
Trade and other payables	*14*	**28,683**	39,148
Contract liabilities		**203**	168
Other financial liabilities		**1,337**	1,307
		49,382	59,965
Total liabilities		**51,335**	62,008
Total equity and liabilities		**174,975**	183,958
Net current assets		**76,291**	72,478
Total assets less current liabilities		**125,593**	123,993

NOTES

1. CORPORATE INFORMATION

Lansen Pharmaceutical Holdings Limited (the "Company") is an exempted limited liability company incorporated in the Cayman Islands on 10 September 2009 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 May 2010. The Company's registered office is located at Windward 3, Regatta Office Park, P. O. Box 1350, Grand Cayman KY1-1108, the Cayman Islands. The Company's principal place of business is located at Suites 1203-4, 12/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries (together with the Company referred to as the "Group") are manufacturing and trading of pharmaceutical products. The principal activities of the Group are carried out in the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the period.

The directors consider the immediate holding company and ultimate holding company to be Cathay International Pharma Manufacture and Distribution (China) Limited and Cathay International Holdings Limited, a company incorporated in Bermuda, respectively.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "*Interim Financial Reporting*" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The preparation of the Interim Financial Statements in compliance with IAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements are presented in United States Dollars ("US$"), unless otherwise stated. The Interim Financial Statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the Group's consolidated financial statements for the year ended 31 December 2022. The Interim Financial Statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") (which collective term includes all individual International Financial Reporting Standards and Interpretations as approved by the IASB, and all individual International Accounting Standards and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB), and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022.

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial liabilities that are measured at fair values.

The Interim Financial Statements have been prepared with the same accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2022, except for those disclosed in Note 3.

The Interim Financial Statements are unaudited, but have been reviewed by BDO Limited in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the International Auditing and Assurance Standards Board.

In prior period, research and development costs of approximately US$959,000 were included under administrative expenses. With reference to the Group's consolidated financial statements for the year ended 31 December 2022, research and development costs are presented as a separate line item in order to reflect the Group's inputs for research and development activities. Therefore, the comparative figures have been reclassified to conform to the current period presentation.

3. ADOPTION OF IFRSs

In the current interim period, the Group has applied, for the first time, the following amendments issued by the IASB that are potentially relevant to and effective for the annual period beginning on or after 1 January 2023 for the preparation of the Interim Financial Statements.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax Related to Assets and liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments have no material impact on the Group's financial performance and position for the current or prior periods and/or on disclosures set out in these Interim Financial Statements.

The Group has not early applied any new standards or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND OTHER INCOME

An analysis of the Group's revenue which are generated from contracts with customers and other income for the periods are as follows:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Revenue from sales of goods	**31,386**	31,991
Timing of revenue recognition		
At a point in time	**31,386**	31,991
Other income		
Government grants	**647**	448
Gain on early termination of lease	**–**	63
Others	**284**	148
	931	659

The Group received grants from the local government in the PRC mainly attributed to the Group's development of high-technology pharmaceutical products. The grants received were not subject to any conditions.

In addition, during the six months ended 30 June 2022, the Group received government grants of Hong Kong Dollars ("HK$") 40,000 (equivalent to US$5,000) from Employment Support Scheme ("ESS") under the Anti-pandemic Fund launched by the government of Hong Kong Special Administrative Region of the PRC supporting the payroll of the Group's employees. Under the ESS, the Group had to commit to spend these grants on payroll expenses, and not reduce employee head count below prescribed levels for a specified period of time. The grant was allocated to the consolidated profit or loss to match the relevant costs incurred. The Group did not have other unfulfilled obligations relating to this programme.

5. SEGMENT INFORMATION

Information reported to the executive managing director, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance based on the types of goods delivered.

The Group's reportable and operating segments under IFRS 8 "*Operating Segments*" are as follows:

— Pharmaceuticals: development, production and sale of specialty pharmaceuticals mainly used in the field of rheumatology and dermatology and other pharmaceuticals

— Healthcare products: development, production and sale of healthcare products

— Cosmetic products: sale of cosmetic products

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

	Six months ended 30 June 2023			
	Pharmaceuticals	**Healthcare products**	**Cosmetic products**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Primary geographical markets				
The PRC (domicile)	**30,715**	**140**	**1**	**30,856**
Hong Kong	**–**	**530**	**–**	**530**
Reportable segment revenue	**30,715**	**670**	**1**	**31,386**
Reportable segment profit	**11,342**	**38**	**1**	**11,381**

	Six months ended 30 June 2022			
	Pharmaceuticals	Healthcare products	Cosmetic products	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Primary geographical markets				
The PRC (domicile)	30,990	143	41	31,174
Hong Kong	–	817	–	817
Reportable segment revenue	30,990	960	41	31,991
Reportable segment profit	13,546	117	38	13,701

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior periods.

The totals presented for the Group's operating segments reconciled to the Group's key financial figures as presented in the Interim Financial Statements is as follows:

	Six months ended 30 June 2023 *US$'000* **(unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Total results of reportable segment profit	**11,381**	13,701
Share of post-tax result of associates	**(509)**	(422)
Other non-operating income and expenses, net	**(87)**	(127)
Unallocated income	**931**	659
Unallocated expenses	**(4,776)**	(5,193)
Finance income	**584**	333
Finance costs	**(788)**	(873)
Profit before income tax	**6,736**	8,078

Reportable segment profit represents the gross profit less selling and distribution expenses by each segment. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

Share of post-tax result of associates, other non-operating income and expenses, net, finance income, finance costs and certain income and expenses are not allocated to the reportable segments as they are not included in the measure of the results of reportable segment that is used by CODM for assessment of segment performance.

No segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

6. OTHER NON-OPERATING INCOME AND EXPENSES, NET

	Six months ended 30 June 2023 ***US$'000*** **(unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Provision for impairment of intangible assets	**(87)**	(599)
Reversal of loss allowance on financial guarantee contract	**–**	472
	(87)	(127)

7. FINANCE INCOME AND FINANCE COSTS

	Six months ended 30 June 2023 ***US$'000*** **(unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Finance income		
Bank interest income	**584**	333
Finance costs		
Interest on bank borrowings	**354**	569
Cross guarantee commission fee payable to a fellow subsidiary	**46**	50
Unwinding of discount on contingent consideration	**30**	29
Interest on lease liabilities	**7**	12
Net exchange loss	**351**	213
	788	873

8. PROFIT BEFORE INCOME TAX

The Group's profit before income tax has been arrived at after charging:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**1,058**	1,154
Depreciation of investment property	**10**	10
Depreciation of right-of-use assets	**215**	224
Provision for impairment of property, plant and equipment	**–**	236
Provision for impairment of obsolete inventories	**12**	149
Net exchange loss	**85**	213
Research and development costs	**1,050**	959
Losses on disposals of property, plant and equipment	**17**	5
Write off of inventories	**3**	5

9. INCOME TAX EXPENSE

	Six months ended 30 June 2023	Six months ended 30 June 2022
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Current income tax		
— Tax for the period	**1,569**	1,241
— Over provision in prior periods	**(9)**	(9)
	1,560	1,232
Deferred tax	**(436)**	50
Income tax expense	**1,124**	1,282

Tax on assessable profits has been calculated at the applicable rates of tax prevailing in the tax jurisdiction in which the Group operates.

Under the two-tiered profits tax rates regime for Hong Kong Profits Tax, the first HK$2,000,000 of the assessable profits of qualifying corporations will be taxed at 8.25%, and the remaining assessable profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the six months ended 30 June 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (Six months ended 30 June 2022: 25%).

On 1 December 2020, one subsidiary of the Group renewed the "High Technology Enterprise" status for 3 years that entitled the subsidiary a preferential tax rate of 15% for a period of three years starting from December 2020 to December 2023 according to the PRC tax law.

10. DIVIDENDS

	Six months ended 30 June 2023 *US$'000* **(unaudited)**	Six months ended 30 June 2022 *US$'000* (unaudited)
Dividend in respect of the previous financial year paid and recognised as distribution during the period:		
2022 Interim dividend – HK5.0 cents per share (approximately US0.64 cents per share)		
Scrip shares	**2,598**	–

For the six months ended 30 June 2023 and 2022, the directors of the Company do not recommend the payment of interim dividends attributable to the current and prior interim periods respectively.

The 2022 interim dividend in the above table represents the interim dividend declared in respect of the annual results for the year ended 31 December 2022, details of which are set out in below paragraphs.

As disclosed in the announcement of the Company dated 24 March 2023, the directors had resolved on 24 March 2023 to declare an interim dividend of HK5.0 cents (equivalent to approximately US0.64 cents) per share, totalling approximately HK$20,396,000 (equivalent to approximately US$2,598,000) for the year ended 31 December 2022 to the shareholders listed in the register of members of the Company at the close of business on 14 April 2023 ("Record Date"). The declared interim dividend was satisfied wholly in form of an allotment of shares to be credited as fully paid up ("Interim Dividend Shares") without offering any right to the eligible shareholders to elect to receive such dividend in cash in lieu of such allotment ("Share Dividend Scheme"), which was conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Interim Dividend Shares to be issued under the Share Dividend Scheme. If the condition is not satisfied, the Share Dividend Scheme will not become effective and the Interim Dividend will not be paid whether in cash, in Interim Dividend Shares or otherwise to any of the shareholders whose names appear on the register of members of the Company at the Record Date.

For the purpose of calculating the number of the Interim Dividend Shares to be allotted and issued under the Share Dividend Scheme, the market value of each Interim Dividend Shares was equivalent to the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days from 17 March 2023 to 23 March 2023 (both days inclusive).

All conditions of the Share Dividend Scheme were fulfilled during the six months ended 30 June 2023 and a number of 14,506,434 ordinary shares were allotted and issued as Interim Dividend Shares to the eligible shareholders on 28 April 2023.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit attributable to owners of the Company and the weighted average number of ordinary shares of 422,355,672 shares outstanding during the period, after adjusting the Interim Dividend Shares issued and the treasury shares held or cancelled by the Company.

For the six months ended 30 June 2022, the weighted average number of ordinary shares, for the purpose of calculating basic and diluted earnings per shares, was restated from 396,340,597 shares to 410,847,031 shares due to the impact of Interim Dividend Shares under the Share Dividend Scheme (Note 10). The corresponding basic and diluted earnings per share were then restated from US1.71 cents to US1.65 cents for the six months ended 30 June 2022.

The Group had no dilutive potential ordinary shares for the current and prior periods.

12. TRADE AND OTHER RECEIVABLES

	30 June 2023 ***US$'000*** **(unaudited)**	31 December 2022 *US$'000* (audited)
Trade receivables	**16,754**	16,430
Less: loss allowance	**(693)**	(772)
	16,061	15,658
Bills receivables	**11,626**	19,429
Trade and bills receivables	**27,687**	35,087
Prepayments and other receivables (net of loss allowance)	**2,204**	2,045
	29,891	37,132

The Group has a policy of allowing an average credit period of 90 days (31 December 2022: 90 days) to its customers.

Based on the invoice date, the ageing analysis of the trade and bills receivables (net of loss allowance) of the Group as at the end of the reporting period is as follows:

	30 June 2023 ***US$'000*** **(unaudited)**	31 December 2022 *US$'000* (audited)
90 days or below	**17,386**	20,146
91–180 days	**5,061**	7,006
181–365 days	**5,240**	7,935
	27,687	35,087

As at 30 June 2023, certain bills receivables of US$5,585,000 (31 December 2022: US$15,456,000) were pledged to secure for bank borrowings of a fellow subsidiary.

13. LOAN TO AN ASSOCIATE

The amount due is unsecured, interest-free and repayable on demand. The directors consider that the carrying amount of this balance approximates its fair value.

As at 30 June 2023, accumulated loss allowance of US$977,000 (31 December 2022: US$925,000) was recognised on loan to an associate against the carrying amount of loan to an associate.

14. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade payables	**2,316**	1,791
Bills payables	**4,263**	12,004
Deposits received from ultimate holding company	**15,385**	15,165
Other payables and accruals	**6,719**	10,188
	28,683	39,148

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

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(unaudited)	(audited)
90 days or below	**2,054**	1,505
91–180 days	**–**	14
181–365 days	**3**	3
Over 365 days	**259**	269
	2,316	1,791

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Lansen recorded a revenue of approximately US$31.4 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately US$32.0 million), representing a decrease of approximately 1.9% over the corresponding period last year. The decrease in revenue was mainly due to the depreciation of Renminbi ("RMB") against US$. Excluding such impact, the revenue increased by approximately 5.1% as compared to the corresponding period last year. Gross profit was approximately US$20.5 million (six months ended 30 June 2022: approximately US$21.9 million), representing a decrease of approximately 6.4% over the corresponding period last year. Excluding the effect of the depreciation of RMB against US$, gross profit increased by approximately 0.3% over the corresponding period last year. The decrease in gross profit margin was mainly due to the increase in raw material costs. The profit from operations for the period was approximately US$7.5 million (six months ended 30 June 2022: approximately US$9.2 million), representing a decrease of approximately 17.8% as compared with the corresponding period last year, which was mainly due to the impact of the increase in selling expenses in addition to the impact of the decrease in gross profit mentioned above. The increase in selling expenses was due to the fact that the Group's sales and marketing related activities could not be fully carried out as planned in the first half of 2022 due to the impact of the pandemic, and the low base in the first half of 2022 led to an increase in sales and marketing expenses in the first half of 2023 as compared to the first half of 2022. Profit for the period amounted to approximately US$5.6 million (six months ended 30 June 2022: approximately US$6.8 million), representing a decrease of approximately 17.4% as compared with the corresponding period last year, which was mainly affected by the profit from operations for the period.

In the first half of the year, the revenue of the pharmaceutical segment decreased by approximately 0.9% over last year to approximately US$30.7 million (six months ended 30 June 2022: approximately US$31.0 million). Excluding the impact of the effect of the depreciation of RMB against US$, revenue increased by approximately 6.2% as compared to the corresponding period last year. Among which, the revenue, dominated in RMB, of the Group's core products, Pafulin and Sicorten Plus, increased by approximately 9.9% as compared with the corresponding period last year. Profit of the pharmaceutical segment decreased by approximately 16.3% to US$11.3 million in the first half of the year as compared with the corresponding period last year, mainly due to the impact of the increase in selling expenses and the pressure on gross profit margin.

Another business development segment under the comprehensive health strategy of the Group is the exploration of healthcare business development with Natural Dailyhealth Holdings Limited ("Natural Dailyhealth"), in which the Group holds a 30% equity interest, as a platform.

The operating results of the healthcare business are mainly reflected in the share of profit or loss of Natural Dailyhealth, an associate of the Group. In the first half of the year, Natural Dailyhealth recorded a decrease in certain sales and gross profit of its plant extract products as compared with the corresponding period last year due to the intensified competition in the domestic industry. The share of loss of Natural Dailyhealth increased to US$0.49 million (six months ended 30 June 2022: approximately US$0.38 million). In the first half of the year, revenue from healthcare business other than that from Natural Dailyhealth amounted to approximately US$0.7 million (six months ended 30 June 2022: approximately US$1.0 million), representing a decrease of approximately 30.2% as compared with last year. Segment profit amounted to approximately US$38,000 (six months ended 30 June 2022: approximately US$0.1 million).

In the first half of the year, revenue of the cosmetic segment amounted to approximately US$1,000 (six months ended 30 June 2022: approximately US$41,000), which was mainly attributable to the sales of processing of historical inventories for which provisions had been made, while the segment profit was approximately US$1,000 (six months ended 30 June 2022: approximately US$38,000).

Pharmaceutical segment

With the comprehensive easing of measures for the pandemic, the Group's various marketing activities resumed gradually. China continues to strengthen the reform of the medical and healthcare system, promote the construction of national regional medical centre facilities, continue to upgrade the level of medical care at the prefecture and county levels, strengthen the capacity building of community and rural medical and healthcare services, and improve the institutional mechanism to promote tiered diagnosis and treatment. All these policies demonstrated the importance of market penetration and increased coverage in grass-roots hospitals, especially for drugs for chronic diseases. Accordingly, the Group continued to implement its established strategy for the development of its pharmaceutical business in the first half of the year. In terms of sales, the focus remained on strengthening the expansion of market channels and product coverage; whilst optimising the supply of raw materials and optimising the production process to achieve cost reductions and efficiencies in cost control. In terms of product portfolio expansion strategy, we continued to step up our research and development, resume production of products with independently owned production approvals and identify new products to be introduced.

Full market and product sales coverage

The sales team will target hospitals at different levels through extensive coverage into the grass-roots market and implementation of a refined semi-self-run promotion strategy in remote areas in collaboration with our partners. In addition, the Group has been actively exploring for suitable partner institutions to proactively expand its business in the commercial and OTC retail channels. We form product portfolio marketing through the driving force of our core product sales.

Full market coverage

i. Hospital sales channel: our self-run hospital team continued to strengthen the collaboration with the market and the medical team and was committed to the promotion and research of Pafulin as a medicine for the early treatment of rheumatic immune diseases. On the other hand, our medical department speeded up our research on the application of new indications of Pafulin based on rheumatology, and commenced the exchange and sharing of experience among related divisions, such as dermatology and stomatology, as well as multi-treatment areas, to provide evidence-based treatment guidelines and expert consensus and to extend our brand influence in different divisions of the developed hospitals. Meanwhile, the Group continued to speed up its penetration into the secondary or grass-roots hospitals, emphasising the development of medical alliances and county hospitals (county cooperation), to reinforce the effective coverage in the grass-roots market.

ii. Commercial distribution channel: our team continued to maintain product pricing and expand the Group's product coverage network through collaboration with branded distributors, to establish a good foundation of commercial customers for the next phase of introducing resumed products. The Group continued to provide professional sales support to its distributor customers, including product knowledge training, diseases knowledge and medication protocols, to enhance customers' awareness of the Group's products and improve the sales efficiency of distributors.

iii. Semi-self-run team in grass-roots areas: we did not achieve the expected progress in the first half of the year in terms of the refinement of our comprehensive product investment promotion, and the profit model has not achieved satisfactory results at the moment. In the second half of the year, we will adjust the organisational structure of the semi-self-run business department and focus on a refined promotion and sales strategy in non self-run regions to steadily expand our end-user coverage and brand influence.

iv. OTC retail: aiming at direct-to-consumer chain store promotions, we established collaboration with the headquarters of chain brands to carry out promotional activities in chain stores to rapidly boost the sales of the Group's products to end-users, particularly the sales of products such as Sicorten Plus and Yahao.

Full product coverage

The Group leveraged its core products, Pafulin and Sicorten Plus, as the stepping stone and driving force for its sales strategies to lead and promote the sales of the Group's other products, including medicine products with independent production approvals which the Group plans to resume production, resulting in a rise in sales and forming a marketable product mix. Through product joint promotion, the number of product categories sold by the Group in certain hospitals increased in the first half of the year.

To strive for cost reduction and efficiency enhancement in the production line

The Group has continued to adopt internal management measures to reduce costs and improve efficiency. To counteract the pressure of rising raw material and labour costs on gross profit margin and corporate sustainability, the Group has adopted multi-channel, multi-project and multi-level measures to reduce costs, improve production efficiency and optimise the supply and production chain. At the same time, the Group is committed to implementing strategies related to environmental, social and governance (ESG) to promote sustainable development in areas such as energy saving, emission reduction, consumption reduction and staff training:

(i) We have continued with the construction of the supply chain of white peony, a key raw material for Pafulin, monitored the market situation on a regular and real-time basis, optimised the procurement model and enhanced the Group's dominance in procurement by improving the tendering system and introducing more supply competition. At the same time, we have conducted research on the resources and quality attributes of medicinal herbs and explored the construction of plantation bases for medicinal herbs in order to ensure the sustainability of the supply of key raw materials.

(ii) We have improved the operation of the GMP pharmaceutical production quality management standard and the GVP pharmacovigilance quality management standard systems to strengthen the full process of pharmaceutical quality management and the complete cycle of pharmaceutical safety management, thereby safeguarding the quality and the safety of pharmaceuticals as well as enhancing the awareness and capability of all staff in safeguarding the quality and safety of pharmaceuticals.

(iii) In respect of environment and safety, we have passed the certifications of ISO14001 Environmental Management System and ISO45001 Occupational Health and Safety Management System to facilitate the standardisation of safety and the lean operation of green factories. The production chain uses energy-saving and consumption-reducing equipment and technologies to improve energy efficiency on the basis of guaranteed quality and safety.

(iv) By implementing lean scheduling, we have continued to strengthen production, sales and operation synergies and interaction, and improve production response capabilities, implement the "one person with multiple skills" training initiative, in order to reasonably plan for human resources and reduce management costs.

By adopting the measures mentioned above, the Group aims to ensure the safety and price stability of raw material procurement, while at the same time strictly controlling the costs and improving the production efficiency, with a view to addressing the challenges and realising the sustainable development of the enterprise.

To strengthen product research and development, accelerate production resumption and introduce products with market value to expand its product portfolio

The Group continued to consolidate the rheumatology and dermatology therapeutic areas as its main direction for research and development, to strengthen the research on the core product Pafulin total glucosides of white peony capsules, including the new standards, new indications and new drugs. Meanwhile, the Group gradually expanded its product research and development for other therapeutic areas such as pediatrics and gynecology, implemented the white peony series and extended it to the research and development of other series of products. The Group simultaneously and gradually facilitated the technological improvement and resumed production of more than 20 medicine products with independent production approvals, and completed the resumption of the production of Cough Syrup in the first half of 2023. Significant progress has also been made in the research on the resumption of production for Ganda Pian, Multivitamin Iron Oral Solution, Huperzine-A Capsules and Yinbaiganyan Keli. The resumption of production and launching of such products are expected to be completed in the second half of 2023 and thereafter. The Group also actively sought to introduce products with market value to strengthen its product portfolio. We expected to enrich the Group's product lines by accelerating the introduction of suitable products with market value, great market potential and in line with the overall strategy of penetrating into the lower-tier end-user market. We focused on the introduction of research and development products in the rheumatology, dermatology and maternal and child product lines, and at the same time, the Group will conduct research on introducing products for the development of advantageous business therapeutic areas and high-burden disease treatment areas.

Healthcare segment

The Group will continue to develop its plant extract and healthcare product businesses with Natural Dailyhealth as a platform for health business development and explore the effective implementation of the comprehensive health strategy. In 2023, the domestic plant extract industry's export business demonstrated a declining trend due to factors such as international (United States) trade restrictions and decreasing demand, resulting in intensified domestic industry competition. Natural Dailyhealth is tackling these severe challenges by taking the following steps:

1. Market expansion strategy optimisation: to increase direct collaboration with end-clients in the market by skipping some of the intermediate steps in the operations and applied our volume and price competition strategy to boost the number of orders from our customers. We are working on improving our technologies in accordance with the requirements of our customers to complement supply capacity. We have taken forward the product registration (filing) and market development of plant extracts for international markets and are currently working with a Korean pharmaceutical raw material supplier to commence registration, which is expected to be completed in 2024. We also planned to explore business development opportunities in the ASEAN market.

2. Procurement strategy optimisation: we continued to encourage procurement from the source and develop more suppliers and sources to increase Natural Dailyhealth's bargaining power and improve the cost-performance ratio of our raw material procurement, and finished building inventories at a basic safe level. At present, we have established direct procurement from the source of raw materials such as blackcurrant from New Zealand and European bilberry from Sweden, and have increased to over three suppliers for both raw materials. Currently, we have finished building inventories at a basic safe level for our key raw materials to ensure normal production.

3. Production technology optimisation: we continued to optimise our manufacturing and cost control capabilities, and implemented modifications to the cooling system and cooling equipment in order to reduce costs and increase efficiencies. Meanwhile, Natural Dailyhealth has obtained the licence for pharmaceutical production and the qualification for the production of new raw materials for nutritional supplement products. It has been combining the improvement of the ginkgo biloba extracting process and the application of new technological equipment film to accelerate the research and development of new product varieties, such as cinnamon extract, and the research and formulation of group standards for phosphatidylcholine raw materials. These measures will act as the preparation for the expansion of Natural Dailyhealth's products into Hong Kong, Macau and Southeast Asia, and will minimise the negative impact of international situation and market changes on revenue and profit.

With respect to the healthcare product business, Natural Dailyhealth focused on developing a product and raw material matrix with core advantages as its current main milestones. Upon having a sufficient number of competitive products and establishing brand names, we will gradually launch our healthcare products to the Hong Kong and Southeast Asian markets.

Cosmetic segment

In the first half of the year, the Group's sales were mainly to dispose of the historical inventories for which provisions had been made. The Group continued to suspend new investment in the cosmetic business during the period. The Group will make new investments in the cosmetic business only when opportunities arise and when the Group has a well-defined marketing strategy in place, the right products to market and a professional team. In the meantime, the Group will focus its resources on the development of its pharmaceutical and healthcare businesses.

OUTLOOK

Looking ahead to the second half of 2023, the pharmaceutical industry sees both challenges and opportunities in this post-pandemic era. The Group will continue to pursue the development strategy of focusing on the pharmaceutical business and exploring the optimisation of the healthcare business.

The Group will proactively address the national policy on tiered diagnosis and treatment, continue to increase its product coverage across the market, and invest more resources in research and development to enhance its innovation and competitiveness. With respect to brand building and marketing, the Group aims to establish a brand image with a sense of social responsibility and corporate value to enhance consumers' awareness of and trust in the brand, with a view to establishing itself as the healthcare brand preferred by the consumers in the respective therapeutic areas. With respect to the enhancement of its product portfolio, the Group intends to build and perfect a product matrix that caters to the market demand and the development of the enterprise, in order to realise its strategic deployment and diversified development by strengthening its research and development, accelerating the resumption of production and introducing products with market value, as well as paying close attention to investment opportunities within and outside the industry and introducing new products through collaboration, research and development, or mergers and acquisitions. With respect to cost reduction and efficiency enhancement, the Group will optimise its supply chain management and strictly control all expenses. Overall, the Group will remain committed to the core corporate strategies above and contribute to the community through the production of quality products.

FINANCIAL REVIEW

Liquidity, financial resources and capital structure

The share capital of the Company only comprises of ordinary shares. The Group primarily finances its working capital and other capital requirements by net cash generated from operating activities and resorts to external financing including bank borrowings from time to time when the operating cash flows are insufficient to meet capital requirements. Last year, the Company completed placing of new shares under general mandate, details of which are set out in the paragraph headed "Placing of new shares under general mandate in last year and use of proceeds" below on pages 23 to 24.

As at 30 June 2023, the net current assets of the Group were approximately US$76.3 million (31 December 2022: approximately US$72.5 million) and the current ratio was 2.5 (31 December 2022: 2.2).

As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately US$46.4 million (31 December 2022: approximately US$51.3 million). As at 30 June 2023, the Group had pledged bank deposits of approximately US$13.0 million (31 December 2022: approximately US$9.8 million) to secure the bill payables of the Group and bank borrowings of a fellow subsidiary. As at 30 June 2023, the Group had restricted bank deposits of approximately US$15.4 million (31 December 2022: US$15.2 million), which were the cash deposits received from Cathay International Holdings Limited ("CIH") placed in designated bank accounts as security under a counter-guarantee provided by CIH to the Group pursuant to a cross guarantee agreement.

The Group's borrowings as at 30 June 2023 amounted to approximately US$17.6 million (31 December 2022: approximately US$18.2 million), which were fully repayable within 1 year (31 December 2022: repayable within 1 year).

As at 30 June 2023 and 31 December 2022, the Group was in a net cash and bank balance position.

The Group's cash and bank balances are mainly denominated in Hong Kong Dollars, Renminbi and United States Dollars.

The exposure of the Group's transactional currency to foreign currency risk was minimal as the majority of the financial assets and liabilities held by the subsidiaries of the Group are denominated in the respective functional currency of the subsidiaries. The Group currently does not have any foreign currency hedging policy. However, the management would closely monitor foreign exchange exposure and would consider hedging foreign currency exposure when necessary.

Placing of new shares under general mandate in last year and use of proceeds

On 7 April 2022, the Company and the placees entered into the subscription agreements, pursuant to which the placees conditionally agreed to subscribe and the Company conditionally agreed to allot and issue a total of 49,520,000 ordinary shares at a placing price of HK$1.20 per placing share ("Placing"). The number of placees was more than six, and all of whom were corporate or individual investors.

The Placing was completed on 20 April 2022. The net proceeds after deducting the related expenses amounted to approximately HK$59,154,000 (equivalent to approximately US$7,618,000) ("Net Proceeds"). Accordingly, the Company's share capital increased by approximately US$495,000 and the remaining balance of the Net Proceeds of approximately US$7,123,000 was credited to the share premium account.

Reasons for the Placing

As disclosed in the announcement of the Company dated 7 April 2022, the reasons for the Placing were to raise funds for the Group's business development as the Company proposed to use such Net Proceeds from the Placing for (i) potential future acquisitions or projects and (ii) replenishment of working capital and general corporate purposes to support the Company's strategy.

The then closing price at the date of subscription agreement

As disclosed in the announcement of the Company dated 7 April 2022, the placing price of HK$1.20 per placing share represented a premium of approximately 11.1% to the then closing price of HK$1.08 per share as quoted on the Stock Exchange on 7 April 2022, being the date of the subscription agreement entered between the Company and the placees in relation to the Placing.

Use of proceeds

As disclosed in the announcement of the Company dated 7 April 2022 and the 2022 Annual Report dated 24 March 2023, the intended use of the Net Proceeds was for (i) potential future acquisitions or projects and (ii) replenishment of working capital and general corporate purposes to support the Company's strategy and there was no specific timeline for the use of the Net Proceeds as this was subject to the availability of suitable investment opportunities, the pace of the Company's business development, and the economic and market conditions of the pharmaceutical industry in China.

The amount of utilised net proceeds brought forward to the current period from the year ended 31 December 2022 was approximately US$2,011,000. As disclosed in the announcement of the Company dated 31 July 2023, since no suitable investment opportunity has been identified, the remaining Net Proceeds were fully utilised as working capital to support the Company's strategy. Of the total net proceeds amounting to approximately US$7,618,000, approximately US$6,108,000 was utilised as payments for procurement of one of the Group's key products from a supplier, related freight costs and other related expenses, approximately US$1,250,000 was utilised as administrative expenses, and approximately US$260,000 was allocated for professional fees and other fees.

Charges on assets

As at 30 June 2023, pledged bank deposits of approximately US$3.5 million (31 December 2022: approximately US$9.8 million) were pledged to secure the bills payables of the Group. In addition, pledged bank deposits of approximately US$9.5 million (31 December 2022: approximately US$22,000) and bills receivables amounting to approximately US$5.6 million (31 December 2022: approximately US$15.5 million) were pledged to secure bank borrowings of a fellow subsidiary.

Human resources

The Group had over 652 employees as at 30 June 2023. Staff remuneration of the Group is determined with reference to individual performance, professional qualifications, experience in the industry and relevant market trends. In addition, the Group provides other benefits including medical insurance and provident fund to staff. During the six months ended 30 June 2023, the total staff costs (including Directors' remuneration) amounted to approximately US$9,134,000.

Salaries of employees of the Group have been maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic condition. The Group provides career advancement training in the form of internal courses and workshops for staff and encourages staff to participate in training programmes related to the Group's business.

OTHER INFORMATION

Interim Dividend

The Directors do not recommend the payment of interim dividend for the six months ended 30 June 2023.

Future Plans Relating to Material Investment or Capital Assets

Save as disclosed in this announcement, the Group has no plans for material investments or capital assets as at 30 June 2023.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this announcement.

Purchase, Sale or Redemption of Listed Securities

The table that follows outlines details of the ordinary shares of the Company purchased by the Company on a monthly basis during the six months ended 30 June 2023. The total number of shares repurchased on the Stock Exchange was 2,239,000 during the six months ended 30 June 2023. Among which, 430,000 repurchased shares were cancelled during the six months ended 30 June 2023 and the remaining repurchased shares were cancelled subsequent to the end of the reporting period.

Month of repurchase	**No. of Shares**	**Highest price paid per share** *(HK$)*	**Lowest price paid per share** *(HK$)*	**Average price paid per share** *(HK$)*	**Aggregate price paid** *(HK$)*
January 2023	430,000	1.50	1.50	1.50	645,000
June 2023	1,809,000	1.60	1.24	1.55	2,812,770
	2,239,000				3,457,770

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

Compliance with the Corporate Governance Code

During the six months ended 30 June 2023, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Review of Unaudited Financial Statements

The audit committee of the Company (the "Audit Committee") comprises of three independent non-executive Directors, namely Mr. Chan Kee Huen, Michael (Chairman), Mr. Yeung Tak Bun, Allen and Ms. Chan Ching Har, Eliza.

The Company's unaudited interim results for the six months ended 30 June 2023 have been reviewed by the Audit Committee together with management of the Company.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

The electronic version of this announcement will be published on the website of the Stock Exchange (www.hkexnews.com.hk) and on the website of the Company (www.lansen.com.cn). The interim report of the Company for the six months ended 30 June 2023 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the aforementioned websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the period.

By order of the Board
Lansen Pharmaceutical Holdings Limited
Wu Zhen Tao
Chairman

Hong Kong, 24 August 2023

As at the date of this announcement, the executive managing Director is Mr. Chen Li; the non-executive Directors are Mr. Wu Zhen Tao and Ms. Liu Xuezi; the independent non-executive Directors are Mr. Chan Kee Huen, Michael, Mr. Yeung Tak Bun, Allen, Ms. Chan Ching Har, Eliza and Dr. Zhu Xun.