



远大健康

CGE HEALTHCARE

**China Grand Pharmaceutical  
and Healthcare Holdings Limited**  
远大医药健康控股有限公司

(Incorporated in Bermuda with limited liability)  
Stock Code: 00512



OFFERING QUALITY  
**PRODUCTS**  
HONORING CODE OF  
**ETHICS**

INTERIM REPORT  
**2020**

# CONTENTS

Corporate Profile	2
Management Discussion and Analysis	15
Other Information	33
Financial Contents	39
Corporate Information	56

## Corporate Profile

China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is a diversified global pharmaceutical enterprise, principally engaged in the research and development (R&D), manufacturing and sales of pharmaceutical products, advanced medical devices, specialized pharmaceutical ingredients, bio-technology products and healthcare products and so forth. The core products of the Group cover several therapeutic areas including respiratory, ophthalmic and ENT, cardiovascular emergency pharmaceutical products and advanced medical devices, bio-technology products and healthcare products. The Group’s business is structured into four major segments, namely “innovative drugs and medical devices with high entry barriers”, “branded drugs”, “integrated supply chain of pharmaceutical ingredients and products” and “healthcare products”.

In the first half of 2020, the Group, as an enterprise located in the epicenter of the epidemic, encountered the severity of and challenges from the epidemic in China. All staff of the Group have withstood internal and external pressures to overcome the difficulties. By means of adjusting product mix, the Group has successfully minimized the impact of the epidemic on the Group’s operation and development and recorded revenue of approximately HK\$3,255.78 million, representing a year-on-year decrease of 9.2%. The profit for the period attributable to owners of the Company was approximately HK\$718.51 million, representing a year-on-year increase of approximately 31.4%. Excluding the impact of changes on RMB exchange rate, the profit for the period attributable to owners of the Company has increased by approximately 38.3% year-on-year.

Driven by innovation, the Group strives to consolidate its overall strengths. The Group’s innovative pipeline covers multiple areas and platforms, with a focus on therapeutic fields such as precise intervention, tumor immunology, antiviral and anti-infection, respiratory, ophthalmic and ENT, and rare diseases, continuing to optimize its business ecosystem integrating R&D, production and sales of pharmaceutical products and advanced medical devices.

The Group continues to make efforts to build a leading “pan-intervention treatment platform” in China as well as the world, and has expanded into the field of neurological intervention through the acquisition of Nanjing Kainite, which will help to build up the Group’s capacity in R&D and production in this field and solidify its leading position therein.

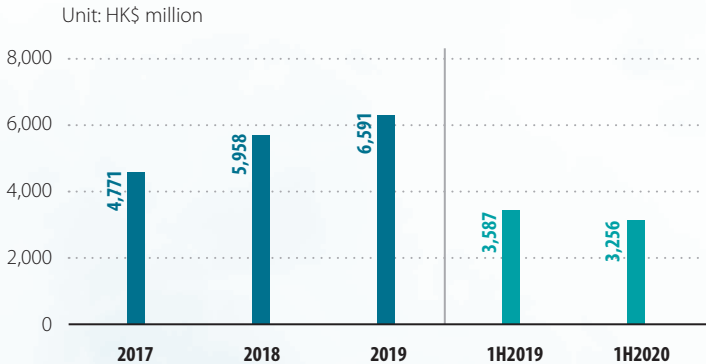
In the field of tumor immunotherapy, the Group has successively invested in eTheRNA in Belgium and Revolmmune, obtained relevant products and rights of mRNA technology and oncolytic virus, and sought to cooperate in establishing a domestic R&D and production platform in the regards. Furthermore, the collaboration with US-based OncoSec is expected to create synergies for the Group by enriching the product pipeline and reinforcing the production and R&D capabilities in tumor immunotherapy.

At the same time, the Group also reserves a number of blockbuster pipeline products in the fields of antiviral and anti-infection, respiratory, ophthalmic, and ENT to further enhance its core advantages and its competitiveness that differentiates it from other market players.

“A person may not be without ambition and perseverance, as he bears a heavy responsibility on a long road”. The Group will continue to leverage on its own overall advantages, enrich its product pipeline in areas of core competency, increase its investment in R&D, as well as improve its global presence and introduce advanced technologies and products. Through both “self-development” + “global expansion”, the Group will enhance the three core strengths, namely “precise and powerful business development capabilities at home and abroad, ability to introduce and fully implement international advanced technologies, excellent marketing and sales capabilities”. With key focuses on “precision interventional therapy” and “antiviral and anti-infection”, the Group is committed to becoming a global pharmaceutical enterprise, delivering on its promises for patients and doctors, and making significant contribution to the society.

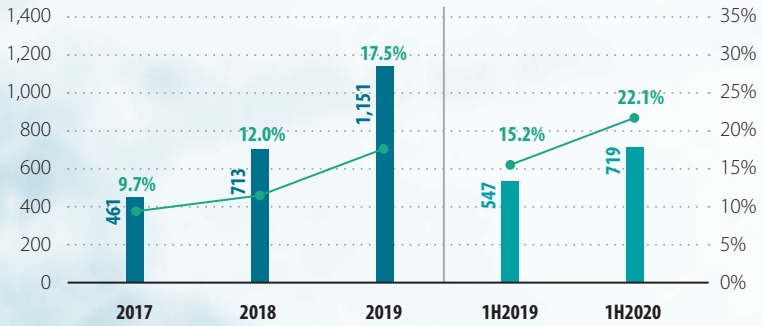
## FINANCIAL HIGHLIGHTS

### Revenue



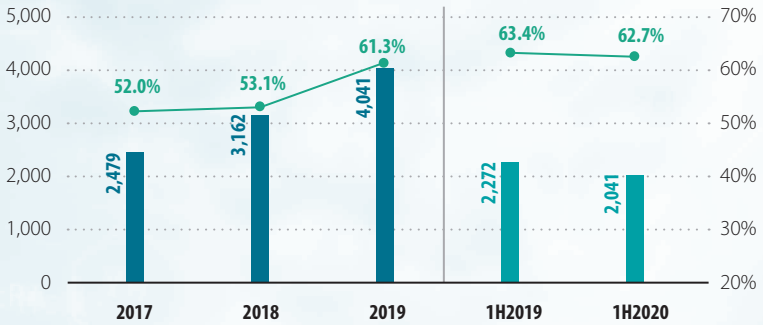
**Profit attributable to owners of the Company and its net profit margin**

Unit: HK\$ million

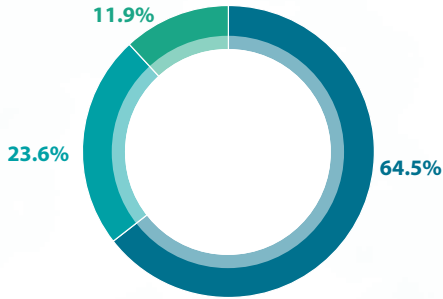


**Gross profit and gross profit margin**

Unit: HK\$ million



Segment revenue



- Pharmaceutical products and medical devices
- Specialized pharmaceutical ingredients and other products
- Bio-technology products and healthcare products

As of the date of this report, the Group's major products are as follows:

### PHARMACEUTICAL PRODUCTS



#### Respiratory, Ophthalmic and ENT medicines:

Ophthalmic: Rui Zhu, He Xue Ming Mu series, Pirenoxine Eye Drops, Nuo Ming and Jie Qi  
Respiratory and ENT: Qie Nuo and Jinsang series



#### Cerebro-cardiovascular emergency medicines:

Li Shu An series, Rui An Ji series, Cedilanid, Xin Wei Ning and Nuo Fu Kang

### MEDICAL DEVICES



#### Vascular interventional medical devices:

Paclitaxel Releasing Coronary Balloon Dilatation Catheter (RESTORE DEB) and Paclitaxel Releasing Hemodialysis Shunt Balloon Dilatation Catheter (APERTO OTW)

### ANTI-TUMOR DRUG



Fluorouracil injection

## BIO-TECHNOLOGY PRODUCTS AND HEALTHCARE PRODUCTS

Taurine, amino acid, steroids, bio-pesticides and agricultural antibiotics

## SPECIALIZED PHARMACEUTICAL INGREDIENTS AND OTHER PRODUCTS

Metronidazole, chloramphenicol, dimethyl sulfate, nitromethane and epinephrine

The Group's products under development with potential to become blockbuster products are as follows:

### Tumor intervention medical devices:



SIR-Spheres Y-90 resin microspheres  
TAVO

### Vascular intervention medical devices:



Paclitaxel Releasing  
Peripheral Balloon Dilatation Catheter  
(LEGFLOW OTW)

## PHARMACEUTICAL PRODUCTS

### Respiratory, ophthalmic and ENT medicines:

Ophthalmic: BRM421 (dry eye disease)  
Respiratory and ENT: New parainfluenza medicine and Ryaltris  
Cerebro-cardiovascular emergency medicines:  
HIP and APAD sepsis products

### Rare diseases:

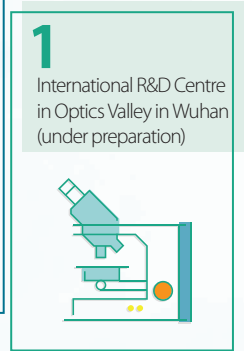
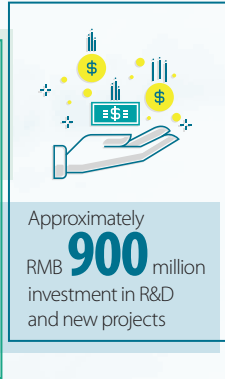
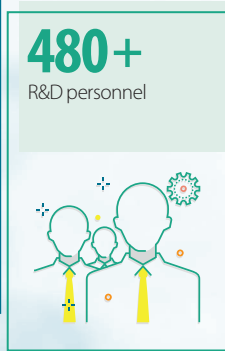
Vigabatrin and Carglumic Acid



Vascular imaging device for diagnosis  
(NOVASIGHT Hybrid)  
3D intracardiac imaging device for diagnosis  
(FORESIGHT ICE)

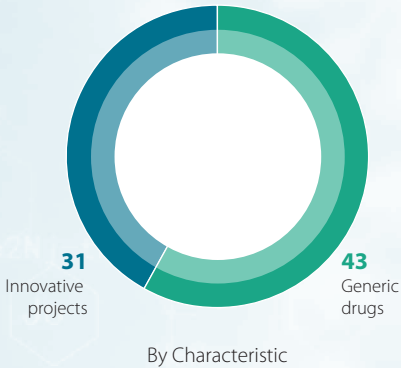


## RESEARCH AND DEVELOPMENT

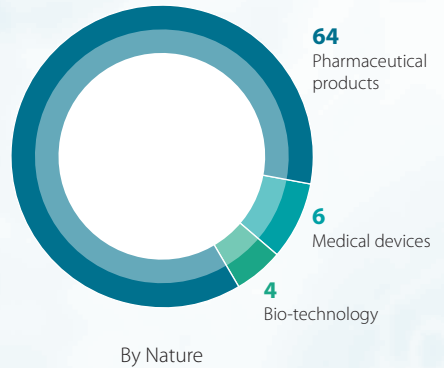


## R&D PROJECTS CATEGORIZATION

### Innovative - Generic

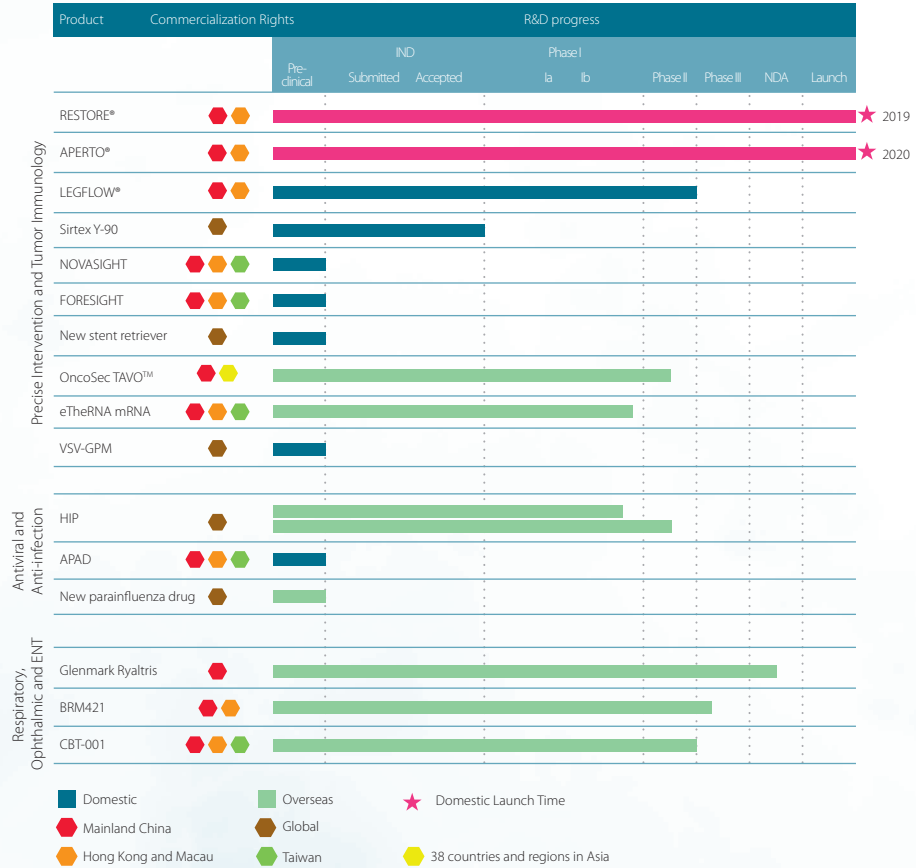


### Drugs – Devices - Bio-technology



INNOVATION PIPELINE SCHEDULE

Table 1.1



**Table 1.2**

	Product	Indications
Precise Intervention and Tumor Immunology	RESTORE®	De novo coronary artery lesions and in-stent restenosis
	APERTO®	Arteriovenous fistula treatment of hemodialysis
	LEGFLOW®	Peripheral vascular disease
	Sirtex Y-90	Primary liver cancer, colorectal liver metastases, etc.
	NOVASIGHT	Coronary artery imaging and intracavity interventional surgery
	FORESIGHT	Preoperative diagnosis and intraoperative guidance for radiofrequency ablation or structural cardiac disease
	New stent retriever	Ischemic stroke
	OncoSec TAVO™	Metastatic melanoma, etc.
	eTheRNA mRNA	Metastatic melanoma, rare diseases, etc.
	VSV-GPM	Colorectal cancer
Antiviral and Anti-infection	HIP	Sepsis COVID-19 ARDS
	APAD	Sepsis
	New parainfluenza drug	Parainfluenza
Respiratory, Ophthalmic and ENT	Glenmark Ryaltris	Allergic rhinitis
	BRM421	Dry eye disease
	CBT-001	Pterygium

As of the date of this report, the Group's major product development and corporate development are as follows:

#### **August 2020**

The Group successfully placed a total of 172,000,000 new shares of the Company (the "Shares") to no less than six ultimate beneficial places (including Beijing Pan Feng and Hillhouse, etc.), with the net proceeds from placing of approximately HK\$1,013.6 million.

#### **July 2020**

The Group committed to investing RMB100 million in Nanjing Fund of which the proceeds will be used for the investment in medical, healthcare, pharmaceutical and medical device projects.

The Group, together with Nanjing Fund and Shanghai Hongsheng, subscribed for and acquired Nanjing Kainite in phases to obtain the five medical devices in the area of neurointervention, including the third-generation stent retriever for the treatment of ischemic stroke.

The Group invested RMB30 million to acquire approximately 9.7% of the equity interest in Revolmmune, and obtained the global exclusive rights of VSV-GPM, a global innovative product for the treatment of colorectal cancer, and the right of first refusal for other products.

#### **June 2020**

The Group invested in CNCB Fund with a capital commitment of US\$50 million, and the fund is intended to raise a total of US\$200 million, which will be mainly used to invest in the world's leading pharmaceutical companies and medical device manufacturers.

#### **May 2020**

The Group invested EUR9 million to acquire approximately 12% of the preferred series B shares of eTheRNA, with agreed certain terms for strategic cooperation and subject to further negotiation, including introducing mRNA production technology of eTheRNA and the exclusive development and commercialization rights for its pipeline projects in the Greater China Region.

The Group's genetic immunotherapy product TAVO™ in combination with anti-PD-1 checkpoint inhibitor KEYTRUDA® (pembrolizumab) for the treatment of advanced metastatic melanoma demonstrated 41% overall response and good safety.

The Group's HIP project for treatment of sepsis was approved to commence Phase II clinical trial for COVID-19 ARDS treatment and Phase Ib clinical trial for sepsis treatment in Australia.

#### April 2020

The APERTO OTW, the first drug-coating balloon in China for the indication of shunt stenosis in arteriovenous fistula of hemodialysis patients, which is jointly developed by the Group and its associate Cardionovum, was granted the medical device registration certificate by the NMPA.

The Group entered into a product licensing agreement with Cloudbreak to acquire the exclusive production (including technology transfer) and commercialization rights of CBT-001, a global innovative product for pterygium treatment, in the Greater China Region.

#### March 2020

The Group entered into a technology transfer agreement with AnTi New Bio-Tech, to obtain the technological and related intellectual property for the new sepsis drug APAD, and to be able to develop, manufacture and sell related products.

#### February 2020

The Group completed the purchase of shares of OncoSec, and holds approximately 52.8% of the outstanding shares of common stock of OncoSec together with Sirtex Medical US Holdings, Inc., an indirect wholly-owned subsidiary of Sirtex, which is a 49% indirectly owned associate of the Company. Meanwhile, the exclusive commercialization rights of the licensed products in China and 38 other Asian countries and regions were effective.

#### DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

"AnTi New Bio-Tech"	Chongqing AnTi New Bio-technology Limited
"APERTO OTW"	Paclitaxel Releasing Hemodialysis Shunt Balloon Dilatation Catheter
"ARDS"	Acute Respiratory Distress Syndrome

“Beijing Pan Feng”	Beijing Pan Feng Investment Management Partnership (Limited Partnership)
“BRIM”	BRIM Biotechnology, Inc.
“Cardionovum”	Cardionovum GmbH, an associate of the Group
“CDE”	Center for Drug Evaluation, NMPA
“Cloudbreak”	Collectively, Cloudbreak Guangzhou and Cloudbreak Therapeutics LLC
“Cloudbreak Cayman”	Cloudbreak Pharmaceutical Inc.
“Cloudbreak Guangzhou”	Cloudbreak Bio-Pharmaceutical Science and Technology (Guangzhou) Co., Ltd.
“CNCB Fund”	CNCB Grand Healthcare Investment Fund LP
“Conavi”	Conavi Medical Inc.
“COVID-19”	Coronavirus Disease in 2019
“COVID-19 ARDS”	Acute respiratory distress syndrome suffered by COVID-19 patients
“eTheRNA”	eTheRNA Immunotherapies NV
“FDA”	United States Food and Drug Administration
“Glenmark”	Glenmark Specialty S.A.
“Grand Pharma (China)”	Grand Pharma (China) Co., Ltd.
“Greater China Region”	Mainland China, Hong Kong, Macau and Taiwan region
“Hillhouse”	Hillhouse Capital Advisors, Ltd.
“IND”	Investigational New Drug

"LEGFLOW OTW"	Paclitaxel Releasing Peripheral Balloon Dilatation Catheter
"mRNA"	messenger RNA
"Nanjing Fund"	Nanjing Chuangyi Dongyin Equity Investment Partnership (Limited Partnership) (南京創熠東銀股權投資合夥企業 (有限合夥))
"Nanjing Kainite"	Nanjing Kainite Medical Technology Company Limited (南京凱尼特醫療科技有限公司)
"NDA"	New Drug Application
"NMPA"	National Medical Products Administration of the PRC
"OncoSec"	OncoSec Medical Incorporated
"RESTORE DEB"	Paclitaxel Releasing Coronary Balloon Dilatation Catheter
"Revolmmune"	Shanghai Revolmmune Therapeutics Bio-technology Limited
"Shanghai Hongsheng"	Shanghai Hongsheng Enterprise Management Partnership (Limited Partnership) (上海洪昇企業管理合夥企業 (有限合夥))
"Sirtex"	Sirtex Medical Pty Ltd, an associate of the Group
"TAVO™"	Tavokinogene Telseplasmid
"Tianjin Jingming"	Tianjin Jingming New Technology Development Co., Ltd.
"VSV-GPM"	Vesicular stomatitis oncolytic virus product

# Management Discussion and Analysis

## INDUSTRY REVIEW

In the first half of 2020, the global economy was hit hard by the COVID-19 pandemic and all economic indicators experienced a general decline. As the mainstay industry for combating the epidemic, the pharmaceutical industry has been widely favoured in the market with its development maintained relatively stable. Amid the epidemic, there was an explosive growth in terms of demand for products including protective equipment such as masks, virus detection reagents and both the Chinese and the Western anti-viral drugs. In general, the pharmaceutical manufacturing industry in China outperformed the overall situation in the manufacturing industry in the first half of the year. The Group, as an enterprise located in Wuhan, was also profoundly affected by the epidemic. Facing the unexpected challenges, the Group has been advancing in spite of difficulties and made progress while maintaining stability, by means of actively coordinating with the implementation of national policies and undertaking social responsibilities so as to constantly expand its business.

During the epidemic, the Group practically shouldered its social responsibilities to ensure a stable supply of first-line drugs. After receiving the notice of resumption of work, certain subsidiaries and associates of the Group exerted tremendous efforts to resume production, implemented 24-hour production line operations under closed-ended management, and fully utilized the production capacity to ensure that drugs demand for the epidemic control could be satisfied. During the epidemic, 8 products of the Group were included in the Procurement Catalogue of Huoshenshan and Leishenshan Hospitals. At the same time, the Group actively responded to the call for COVID-19 scientific and technological research projects by the Science and Technology Department of Hubei Province on emergency basis, and filed the HIP project for worldwide innovative treatment for sepsis, which may also be effective in treating ARDS and sepsis suffered by COVID-19 patients as the disease develops. The Group also delegated the Institute of Glycomics, Griffith University, Australia, to carry out drug screening work, aiming at finding the drugs that have inhibitory effects on the COVID-19 virus among the marketed drugs to contribute to the campaign combatting the virus by taking advantages of its vast research experience in virus and drug screening.

The Group has actively responded to the changes in market size and competitive landscape and continued to optimize the strategic planning of product pipeline and explore sales channels in multiple directions, aiming at increasing the market share of its products. As the market for pharmaceutical industry is expanding, the Group will keep abreast of the market development and take advantage of market opportunities, while expanding its product pipeline, with a view to enhancing the Group's competitiveness comprehensively.



## Management Discussion and Analysis

### BUSINESS REVIEW

#### Revenue

For the six months ended 30 June 2020 (the “**Reviewed Period**” or the “**Period**”), the Group recorded revenue of approximately HK\$3,255.78 million, representing a decrease of approximately 9.2% as compared to the corresponding period in 2019, and, excluding the impact of RMB exchange rate changes, the Group’s revenue decreased by approximately 4.9% compared to the same period in 2019. Despite the satisfactory performance of the Group’s barrier products, exclusive or protected pharmaceutical products and branded pharmaceutical products and so forth, especially the increase in sales volume of non-prescription drugs, the overall sales volume of the Group’s products was inevitably reduced in view of epidemic prevention measures such as home quarantine in part of China for several months during the COVID-19 outbreak. Nevertheless, the Group has been hedging the pressure on sales income caused by the epidemic via continuous optimization of profit structure and focusing on high-margin products such as barrier products. During the Period, the Group’s gross profit margin was approximately 62.7%, which was comparable to the gross profit margin for the corresponding period in 2019.

For the six months ended 30 June 2020, the profit attributable to owners of the Company amounted to approximately HK\$718.51 million, representing a significant increase of approximately 31.4% as compared to the corresponding period in 2019. During the Period, the depreciation of RMB exchange rate resulted in the drop of unrealized gain. If excluding the impact of RMB exchange rate changes, the profit for the period attributable to owners of the Company increased by approximately 38.3% for the six months ended 30 June 2020.

#### Pharmaceutical Products and Medical Devices

Pharmaceutical products and medical devices are currently the major sources of profit contribution of the Group. Major products under this category include respiratory, ophthalmic and ENT medicines, cerebro-cardiovascular emergency medicines and medical devices. For the six months ended 30 June 2020, revenue from pharmaceutical products and medical devices was approximately RMB1,901.97 million, representing a decrease of approximately 4.9% as compared to approximately RMB1,998.83 million for the corresponding period in 2019, which was mainly due to the pressure on sales of respiratory and ENT prescription medicines during the epidemic, but the sales of non-prescription branded medicines and cerebro-cardiovascular emergency medicines recorded an increase.

**Respiratory, Ophthalmic and ENT medicines and devices**

In recent years, the Group devotes to building the most comprehensive supply chain of respiratory, ophthalmic and ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, Chinese medicines, medical devices, medical consumables and healthcare products, etc., and providing integrated treatment solutions and care to medical professionals and patients. For the ophthalmic aspect, the Group has multi-channel competitive advantages and strong brand awareness. Taking full advantages of rich product portfolio, the Group will further enhance the promotion of non-prescription branded products and increase brand awareness in the public to obtain higher recognition of the Group and its brands. There will be launching of new products in the future to further enhance the competitiveness of the Group in the respiratory and ENT medication field. During the period, the revenue from respiratory, ophthalmic and ENT medicines and devices was approximately RMB1,040.12 million, representing a decrease of approximately 11.3% as compared to the same period in 2019, which was mainly attributable to certain degree of impact during the epidemic on the sales of respiratory, ophthalmic and ENT products, in particular prescription medicines, of which:

- Ophthalmic: For the six-month period ended 30 June 2020, the revenue from ophthalmic products of the Group was approximately RMB353.70 million, which was similar to that of approximately RMB354.53 million for the corresponding period in 2019. The core non-prescription eye drops of “Rui Zhu” have achieved rapid growth in both e-commerce platforms and retail pharmacy sales. Revenue for the Period was approximately RMB93.46 million, representing a significant increase of approximately 34.2% as compared to approximately RMB69.66 million for the corresponding period in 2019.
- Respiratory and ENT: For the six-month period ended 30 June 2020, the revenue from respiratory and ENT products of the Group was approximately RMB686.43 million, representing a decrease of approximately 16.0% as compared to approximately RMB817.65 million for the corresponding period in 2019. The major product “Qie Nuo” was listed in the Procurement Catalogue of Huoshenshan and Leishenshan Hospitals during the epidemic, yet the number of visits of patients with respiratory problems has dropped significantly and the sales of prescription drugs have fallen sharply, due to the suspension or attendance restriction of some hospitals during the epidemic. For the Period, the revenue from “Qie Nuo” was approximately RMB465.33 million, representing a decrease of approximately 16.0% compared to the same period in 2019. Concurrently, the revenue from the Jinsang series has also decreased by approximately 19.0% to approximately RMB160.11 million.

## Management Discussion and Analysis

### **Cerebro-cardiovascular medicines and devices**

The Group's cerebro-cardiovascular emergency medicines mainly cover the fields of platelet inhibitors, blood-pressure control, vasoactive drugs, etc., in which the platelet inhibitors injections and vasoactive drugs are in the leading position of the PRC market. With the benefit of the growing market recognition and trust in the Group's products and the continuous expansion of hospital coverage, for the six months ended 30 June 2020, the revenue of the Group's cerebro-cardiovascular medicines was approximately RMB665.05 million, and increased by approximately 2.2% as compared to the same period in 2019. Among those medicines, four core products, namely Li Shu An, Nuo Fu Kang, Xin Wei Ning and Rui An Ji, have contributed a revenue amount of approximately RMB622.85 million in aggregate, representing an increase of approximately 0.7% as compared to the same period in 2019.

### **Biotechnology Products and Healthcare Products**

The core products of the bio-technology products and healthcare products include Taurine, amino acid products, bio-pesticides, bio-feed additives and steroid products, etc. In the first half of 2020, the revenue of the bio-technology products and healthcare products was approximately RMB697.71 million, decreased by approximately 6.6% as compared with the same period in 2019. By virtue of the business expansion strategy of international business and healthcare business, the revenue of amino acid products was approximately RMB286.78 million, representing an increase of approximately 13.0% as compared to the same period in 2019, and the revenue of products related to bio-pesticides and bio-feed additives also recorded an increase of approximately 13.5%. Subject to completion of rectification and acceptance of the production plant for steroid products for production safety, steroid products will be projected to bring greater contributions to the Group.

### **Specialized Pharmaceutical Ingredients and Other Products**

Specialized pharmaceutical ingredients and other products are the relatively stable segment among the product segments of the Group. As an upstream guarantee for the integrated supply chain of pharmaceutical ingredients and products, the Group has always been proactively improving product technology and product quality, reforming the production technology to increase efficiency, and adjusting the product matrix to enhance market competitiveness and improve economic efficiency. However, subject to the overall decline in the pharmaceutical industry owing to the epidemic, the relevant revenue of this segment decreased slightly by approximately 2.0% to approximately RMB350.33 million during the Period.

### **Distribution Costs and Administrative Expenses**

For the six months ended 30 June 2020, distribution costs and administrative expenses were approximately HK\$955.52 million and HK\$309.42 million respectively, as compared to approximately HK\$1,259.67 million and HK\$329.83 million respectively for the corresponding period in 2019. The decrease in distribution costs was mainly due to the impact of the epidemic on the market development and team expansion of sales representatives to a certain extent. The distribution costs accounted for approximately 29.4% of the revenue for the Period, which was slightly lower than that of approximately 35.1% for the corresponding period in 2019. During the epidemic, the Group followed the epidemic prevention measures adopted in the national policies such as home office, enabling the overall administrative expenses to record a decrease of approximately 6.2% as compared to the corresponding period in 2019.

### **Finance costs**

The Group's finance costs for the six months ended 30 June 2020 amounted to approximately HK\$58.12 million as compared to approximately HK\$84.9 million for the corresponding period in 2019. During the Period, the Group adjusted its loan portfolio by taking advantage of the consecutive supportive policies for industries introduced by the central and local governments, and the convertible notes of the Company have been converted into shares in full during the first half of last year, resulting in a significant decrease of approximately 31.5% in the overall finance costs.

### **Research and Development**

The Group is committed to the development of innovative products in the therapeutic areas including precise intervention, tumor immunology, antiviral and anti-infection, respiratory, ophthalmic and ENT, cerebro-cardiovascular emergency. The Group continues to explore in its existing fields of comparative advantages, and also actively introduce innovative technologies and top-notch research talents through project development, as well as to build and improve its R&D platform across multiple fields. In the field of precise intervention, the Group has built its global "precision diagnostics + treatment" strategic platform integrating "vascular, neurological and oncological", which consists of vascular imaging diagnostics of Canada based Conavi, vascular intervention of Germany based Cardionovum and neurological intervention product new stent retriever of Nanjing Kainite as well as tumor intervention products including SIR-Spheres® Y-90 resin microsphere of Australia based Sirtex and TAVO™ of United States based OncoSec, gradually optimizing its strategic planning of "Treating the heart and brain with the same therapeutic method". In the field of tumor immunology, the Group also introduced the mRNA production technology and obtained global exclusive rights (including the rights of global development, production and commercialization) to innovative oncolytic virus products in the first half of 2020, with a view to providing a new clinical method for tumor treatment.

## Management Discussion and Analysis

The field of anti-virus and anti-infection is also one of the key focus areas of the Group. The current R&D pipeline includes HIP project and new drug APAD for the treatment of sepsis, and the new drug for the treatment of parainfluenza. In the field of ophthalmology and respiratory, the Group has three innovative products in the late clinical stage for the treatment of dry eye disease, pterygium and allergic rhinitis. At present, the Group has sufficient R&D pipelines comprised of approximately 74 projects under research, focusing on global expansion and self-development with significant internal and external synergies generated. Leveraging on its best-in-class R&D, registration and clinical operation capabilities, the Group has achieved fruitful R&D progress during the Period, obtained 1 medical device registration certificate and obtained 3 consistency evaluation approvals.

### Innovative Pipeline

In the field of precision intervention and tumor immunology, Cardionovum, an associated company of the Group, has three drug-coating balloon products covering three sectors of coronary, arteriovenous fistula and peripherals. Among them, RESTORE DEB, being the only coronary drug-coating balloon for the treatment of two indications (de novo coronary artery lesions and in-stent restenosis), was granted the “medical device registration certificate” by the NMPA in September 2019. Currently, the marketing campaign for this product has been fully rolled out. In April 2020, APERTO OTW, the first drug coating balloon for the treatment of shunt restenosis in arteriovenous fistulas in hemodialysis patients, was also granted the medical device registration certificate by the NMPA. In addition, the product LEGFLOW OTW for peripheral vascular diseases has also entered into clinical research stage and is expected to be launched in 2024.

SIR-Spheres® Y-90 resin microsphere is the major product of Sirtex, an associated company of the Group, which applies microsphere technology to deliver radiation directly to affected liver tissues. It is a selective internal radiation therapy for primary liver cancer and colorectal liver metastases. This product has been given to over 100,000 people in 50 countries and regions around the world and included in the mainstream clinical practice guidance in places such as the United States and Europe. At present, the Group is actively promoting the registration and introduction of this product in China.

TAVO™, OncoSec’s world’s innovative genetic immunotherapy product, was granted Fast Track Designation by the FDA in 2017 for the treatment of metastatic melanoma following progression on immunotherapy and as an orphan drug for the treatment of unresectable metastatic melanoma. A number of Phase II clinical trials including malignant melanoma, Merkel cell carcinoma and head and neck cancer are currently proceeding. In May 2020, TAVO™ in combination with KEYTRUDA® (Pembrolizumab) demonstrated 41% overall response rate and good safety in a late-stage metastatic melanoma study.

## Management Discussion and Analysis

Among other products, Conavi's intravascular ultrasound/optical coherence tomography system, NOVASIGHT Hybrid, was enrolled with NMPA in the special review approval process of innovative medical device in 2019 and is expected to enter clinical stage in 2020, while FORESIGHT ICE, a 3D intracardiac echocardiography product, is currently in the pre-clinical stage. The most advanced project conducted by eTheRNA in Belgium for the technical platform of mRNA focuses on a therapeutic vaccine for late-stage metastatic melanoma, which has commenced a phase Ib clinical study in Europe. The technology transfer to China is under further negotiation.

In the field of anti-virus and anti-infection field, STC3141, a world-wide innovative drug for the treatment of sepsis (a compound in HIP project), was approved in May 2020 to commence phase II clinical research for the treatment of ARDS suffered by patients with COVID-19, and also the phase Ib clinical research for the treatment of sepsis in Australia. At present, there is a lack of effective and target treatment for sepsis that has been launched to the market. As a disease with high incidence and mortality rate, the clinical demand for sepsis drugs is urgent with huge market potential. Meanwhile, the mechanism of STC3141 in treating ARDS and the pathogenesis of ARDS have some similarities with that of sepsis, enabling STC3141 to become one of the new candidate in the COVID-19 ARDS treatment with fastest progress around the world. In addition, the new sepsis drug APAD and the new parainfluenza drug are in pre-clinical development and compound screening stages, respectively.

In the field of respiratory, ophthalmic and ENT, Ryaltris, a compound nasal spray for the treatment of allergic rhinitis for which the Group was granted the exclusive commercialization rights by Glenmark in China, has submitted the NDA to the FDA, and has been approved for launch in Australia. Now it is also undergoing the preparation work for IND application of imported new drug in China. BRM421, a world-wide innovative drug used for the treatment of dry eye disease for which the Group was granted the development and commercialization rights by BRIM during the Period, has completed the phase II clinical research and is expected to commence the phase III clinical research in 2020 to facilitate commercialization. The innovative product CBT-001 for the treatment of pterygium, for which the Group was licensed for its development and production by Cloudbreak, has completed the phase II clinical research and is planned to commence a global multi-centre phase III clinical trial in 2021 to facilitate commercialization. IND applications for dry eye disease and pterygium products in China are also being prepared actively, and it is expected that the IND applications will be submitted to the CDE in 2021.

## Management Discussion and Analysis

### R&D Team

The international R&D centre of the Group is going to be established in the Optics Valley, Wuhan City, Hubei Province, PRC. Including the R&D platforms such as Australia based Sirtex for tumor intervention and Grand Medical Pty Ltd. for antiviral and anti-infection, United States based OncoSec for tumor immunology and Germany based Cardionovum for cardio-cerebrovascular intervention, the Group has over 30 prestige scientists worldwide. The global R&D centre has begun to take shape, and the globalized R&D planning has gained progressive achievement. The Group and its associates have more than 480 R&D personnel, including over 200 persons with master's or doctorate degrees. The composition of R&D team is diverse, including talents with outstanding and plentiful empirical experience in different countries, and well-known scientists at home and abroad as well as professionals who have worked in large-scale overseas multinational pharmaceutical enterprises for years. All professional leaders and core team members of each segment have academic background in clinical medicine or pharmacy, while some of whom also have overseas education or working experience. In respect of the construction of R&D systems, the Group has established a centre for R&D management, and implemented the quality management system, the patent system, the pharmacovigilance system and the clinical operation system. The Group has also established the scientific committee and professional technical committee, standardized the management of its R&D projects and conducted coordination of resources for the advancement of R&D projects during the Period.

### Investment in R&D and New Projects

During the Period, the Group has made significant investments in pre-clinical research, clinical trials and drug registration of its pipeline projects, and reached agreements with a number of companies for obtaining the rights of R&D, manufacturing and commercialization of different products and for further cooperation in the future, with a total investment amount of over RMB900 million.

### Consistency Evaluation

As of the date of this report, a total of six products of the Group have been approved to pass the consistency evaluation, including sodium bicarbonate tablets, metronidazole tablets, trimetazidine tablets, glipizide tablets, finasteride tablets and captopril tablets, among which, glipizide tablets was the first of its variety to have passed the evaluation.

### **Intellectual Property Protection**

During the Period, the Group filed for over 10 patents, and was granted 20 patents. The Group has accumulated over 300 valid patents.

For innovative drugs, the core patents of HIP projects have been filed in a few countries or regions worldwide, while the core patents of new parainfluenza drug have been granted in a number of countries or regions globally.

### **Investment, M&A and Cooperation**

In the first half of 2020, the Group continued to implement the development strategy of “self-development + global expansion”, further exploring high-quality innovative projects around the world to expand the Group’s product pipeline and enhance the Group’s comprehensive strengths, and putting vigorous efforts in transformation towards innovation and internationalization. On the one hand, the Group has gained innovative ophthalmic drugs by relying on the existing advantageous areas such as respiratory, ophthalmic and ENT. On the other hand, with a focus on the two major directions of “precise intervention and tumor immunology field” and “anti-viral and anti-infection field”, the Group has further explored in tumor immunology and neurological intervention, and at the same time obtained new sepsis drug to further enrich the product line of anti-infection field. Leveraging on the Group’s outstanding business development and commercialization capabilities as well as the sufficient cash flow, the Group’s domestic and overseas project reserves are abundant at this stage, while the investment and M&A projects are progressing steadily as well.

### **Development and Commercialization Rights of a World-wide First Developed New Drug APAD for Sepsis**

In March 2020, the Group entered into a technology transfer agreement with AnTi New Bio-Tech to obtain the technological and related intellectual property rights around the world (in which AnTi New Bio-Tech will keep certain development and commercialization rights in places other than the Greater China Region) for a world-wide first developed new drug APAD which is used for the treatment of sepsis from AnTi New Bio-Tech, and to be able to develop, manufacture and sell related products. APAD is an innovative drug with a mechanism of antagonizing broad-spectrum pathogen-associated molecule. In terms of the effect of sepsis treatment, APAD is complementary with the HIP project. In addition, it is expected to share the R&D resources with the HIP project to create synergy.



## Management Discussion and Analysis

### Licensing Cooperation for a New Drug CBT-001 for Treatment of Pterygium

In April 2020, the Group entered into a product licensing agreement with Cloudbreak to obtain an exclusive production (including technology transfer) and commercialization right in the Greater China Region for a worldwide innovative product CBT-001 developed by Cloudbreak with a coverage of the application of CBT-001 over all indications including pterygium, and to enjoy the priority cooperation rights to interests in the Greater China Region for other pipeline product candidates. In addition, the Group will subscribe for the shares of Cloudbreak Cayman at the consideration of approximately USD5.63 million, which will represent approximately 6.5% equity interest of the enlarged share capital of Cloudbreak Cayman. The Group introduced the first globally innovative pterygium product in the ophthalmic sector, which further enriched the product pipeline of innovative drugs with high barrier to entry in such sector.

### Subscription for Equity Interest in eTheRNA and Exclusive Strategic Cooperation for mRNA Platform

In May 2020, the Group entered into an equity investment agreement with eTheRNA to make an equity investment of EUR 9 million in eTheRNA after relevant conditions being fulfilled. Upon full completion of the equity investment, the Group will obtain approximately 12% of the B class of preferred shares of eTheRNA. At the same time, the Group has agreed certain terms for strategic cooperation (subject to further negotiation), including but not limited to setting up a joint venture company, introducing the mRNA production technology of eTheRNA, performing independent R&D, production and commercialization activities in the fields of tumor immunology and infectious disease prevention, as well as obtaining the exclusive development and commercialization rights of eTheRNA's pipeline projects under research in the Greater China Region. The expansion of the mRNA vaccine platform technology may further optimize the Group's planning in the fields of tumor immunotherapy and infectious disease treatment.

### Investment in CNCB Fund

In June 2020, the Group entered into a subscription agreement to invest in CNCB Fund. Pursuant to the subscription agreement, the Group made a capital commitment of US\$50 million (equivalent to approximately HK\$390 million) and the fund is intended to raise a total of US\$200 million. Through direct or indirect investments in securities, instruments and assets in different areas, including but not limited to the world's leading pharmaceutical companies and pharmaceutical device manufacturers (with a primary focus on biopharmaceutical, cerebro-cardiovascular, ophthalmology, tumor treatment and other areas), CNCB Fund will be able to share the Group's R&D and financial risks in such investments, while further expanding the scope of development and enhancement of innovative projects.

### **Equity Subscription of Revolmmune and Licensing Cooperation of World-wide Innovative Vesicular Stomatitis Virus Product**

In July 2020, the Group entered into an equity investment agreement with Revolmmune to invest RMB30 million in Revolmmune and acquire approximately 9.7% equity interest in Revolmmune upon fulfillment of relevant conditions. At the same time, the principal terms of the product transfer and development cooperation with Revolmmune are subject to further negotiation in order to obtain the global exclusive rights of the VSV-GPM product developed by Revolmmune for the treatment of colorectal cancer (including the global development, production and commercialization rights of the product) and the priority cooperation rights of other products developed by Revolmmune, which further strengthened the Group's presence in the field of tumor immunology.

### **Investment in Nanjing Fund**

In July 2020, the Group committed to investing RMB100 million in Nanjing Fund as the fund to be invested in healthcare, pharmaceutical and medical device projects.

### **Investment in the New Stent Retriever in the Field of Neurointervention**

In July 2020, the Group, together with Nanjing Fund and Shanghai Hongsheng, subscribed and acquired Nanjing Kainite by phases, upon satisfying relevant conditions of the agreement, the Group will hold 100% equity interest in Nanjing Kainite and obtain five medical devices in the area of neurointervention including the third-generation thrombotic stent and its ancillary products for the treatment of ischemic stroke. The Group will expand its product pipeline in precise intervention treatment and build an integrated platform for the R&D, production and sales of medical devices in cardio-cerebrovascular intervention therapy.

### **Investor Relations**

The Group has been committed to improving its corporate governance to ensure the long-term development. During the Period, the Group published annual reports, annual results announcements, and other announcements and circulars on the websites of the Company and the Hong Kong Exchanges and Clearing Limited, and issued voluntary announcements, so as to disclose the latest business developments of the Group to shareholders and investors.

## Management Discussion and Analysis

Meantime, although the Group was unable to carry out on-site visits due to the epidemic, it maintained active and close contact with investors through various channels, and introduced the Group's business and development to investors through diversified communication methods including roadshows organized by securities companies, large-scale telephone conferences and one-on-one meetings. It also released information on the latest business development through media channels, so that investors can understand the business status and prospects of the Group. During the Period, the Group held new product briefing twice and participated in a number of online conferences and roadshows held by large investment banks and securities companies, which attracted nearly 200 analysts, fund managers and other institutional investors. Through communication with investors, the Group hopes to listen to more valuable opinions and extensively collect feedback from investors, so as to further enhance its corporate governance.

The Group's investor relations management has been highly recognized in the industry, and the Group won the award of the "3rd New Fortune HK Listed Company with the Best IR (H Shares)" in March 2020.

### Updates on Significant Matters

With reference to the disclosure in the 2016, 2017, 2018 and 2019 annual reports of the Company, Tianjin Jingming, an indirect non-wholly owned subsidiary of the Company, is involved in certain litigations related to a product quality incident, and it also has a legal claim on the original shareholders of Tianjin Jingming for the indemnification of those possible loss suffered by the Company. As at the date of this report, the court has concluded 53 cases therein, out of which, Tianjin Jingming has appealed for 6 cases against the judgement of first instance with the amount in relation to the judgement reaching approximately RMB5.9 million. Among the final and effective judgements, Tianjin Jingming has made compensation and related legal charges of approximately RMB24.9 million in according to the verdict. Other related litigations of the product quality incident are still pending. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of such product incident until 30 June 2015, and Grand Pharma (China) had filed a litigation against the original shareholders of Tianjin Jingming for the indemnification of those possible loss suffered. According to final judgment by the court, the original shareholders of Tianjin Jingming should compensate us with an amount of approximately RMB8.09 million as the existing reimbursement and penalties for breach of contract at the time of judgment which is now in the course of enforcement by the People's Court. As Grand Pharma (China) also has the right to take legal action to make a claim on the original shareholders of Tianjin Jingming for the subsequent indemnification related to such product quality incident by Tianjin Jingming in the future, the Directors are of the view that the said incident and the related litigations do not have material impact on the Group.

According to the terms of the agreement for the acquisition of Tianjin Jingming, the vendors have undertaken to the Group that the net profit after tax from domestic sales (only including the net profit generated from domestic sales and excluding the profit generated from the sales of irrigating solutions (灌注液)) (the “**Actual Profit**”) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 shall not be less than RMB5 million (the “**Performance Guarantee**”). If the above Performance Guarantee cannot be met, the Group can claim the refund of part of the equity transfer payment in accordance with the formula set out in the announcement of the Company dated 22 December 2014. The Group was in litigation against those vendors in relation to the said Performance Guarantee. As per the court judgement in the first instance in July 2017 and the final court judgement in February 2018, it is concluded that the Group can get back the equity transfer payment of RMB10 million deposited in a bank account jointly managed by the vendors and the Group, while the vendors should additionally refund an equity transfer payment of approximately RMB21.2 million to the Group in accordance with the terms of the agreement for the acquisition of Tianjin Jingming. The vendors subsequently appealed for the aforesaid judgement, and are now in the course of the rehearing as determined by the court.

## PROSPECTS

In the first half of the year, the pandemic of COVID-19 posed huge challenges to the domestic medical system. Looking back upon the history, major epidemic played a significant role in promoting the construction and improvement of the domestic medical system as well as the industry consolidation in healthcare sector. With the implementation of a series of favorable policies for industry development and financing environment by the state and financial institutions, the Group will closely monitor changes in industry policies, grasp the new opportunities arising from the reform of the medical industry, continue to consolidate the existing business segments and actively expand the fields of tumor immunology and precise treatment, so as to continuously solidify its leading position in the fields of comparative advantages.

### **Unceasingly Enriching Product Line with High Entry Barrier and Reinforcing Competitive Edges in International Markets**

The Group proactively responds to policy changes and structural adjustment in the market by focusing on market expansion for blockbuster products and extension of product offerings in the core therapeutic fields, as well as speeding up R&D and planning in its existing areas of comparative advantages. The Group is committed to developing innovative and advanced medical devices in “precise intervention therapy”, and seeking for products with high entry barrier and strong competitiveness around the world, striving to build a “pan-intervention treatment platform” and a segment with higher technical barrier.

## Management Discussion and Analysis

In the field of “precision diagnostics + treatment”, the Group has launched two major drug-coating balloon products, RESTORE DEB and APERTO OTW. RESTORE DEB is the only product in the market with two indications of de novo coronary artery lesions and in-stent restenosis, and has strong market competitiveness. APERTO OTW is the first and the only drug-coating balloon currently in the market for shunt restenosis in arteriovenous fistula for hemodialysis patients. It has shown remarkable clinical results, and is expected to bring revolutionary changes to the existing treatment methods. In addition, two drug-coating balloons adopt patented coating technology, which improves the compatibility and reduces side effects. The Group will vigorously promote the commercialization of the two drug-coating balloon products, and expand the market coverage of the two products through multiple channels and directions. The two in vitro diagnostic products, namely NOVASIGHT Hybrid (intravascular ultrasound/optical coherence tomography system) and FORESIGHT ICE (3D intracardiac echocardiography), have broad application prospects in terms of coronary artery imaging and intracavity intervention surgery. The preparation work for introducing SIR-Spheres® Y-90 resin microsphere — another interventional radiotherapy product for late-stage liver cancer in such field to China is progressing smoothly. Given the lack of effective treatment and new technology for liver cancer in China, and the fact that Chinese liver cancer patients account for more than 50% of the world’s liver cancer patients, the SIR-Spheres® Y-90 resin microspheres, as the only FDA-approved internal radiation therapy, is able to create good synergies with the existing treatment methods and emerging immunotherapy, and is projected to have great clinical value and market prospects. TAVO™, the world’s innovative genetic immunotherapy, may be able to effectively treat the 60%-90% cancer patients who have no response to immunotherapy. Its market scale is expected to reach USD100 billion. Recently, the clinical research on this product has made a breakthrough, and the synergies between TAVO™ and SIR-Spheres® Y-90 resin microsphere may further drive the Group’s development in tumor treatment. In addition, LEGFLOW OTW, a drug-eluting balloon product for peripheral vascular diseases, and eTherNA’s mRNA platform with high adaptability further enrich the Group’s product pipeline in precise intervention therapy and tumor immunology.

**Introducing International R&D Platform and High-Entry-Barrier Products to Enhance Overall Competitiveness**

Under the influence of favorable policies, including accelerated approval process for new drugs registration and governmental encouragement for the innovation of drugs and medical devices, pharmaceutical enterprises' awareness of innovation is rising; meanwhile, the growing demand for innovative drugs brings pharmaceutical industry into a new era of innovation. The Group sticks to stressing on the extensive development of R&D platform, increasing the investment in R&D, recruiting international professionals and introducing high quality projects, collectively to accelerate the strategic transformation into innovative self-development.

The Group has international R&D subsidiaries or associated companies in Australia, Germany and the United States and over 30 prestige scientists worldwide. The global R&D centre has begun to take shape. In addition to undertaking existing R&D projects, it will attract more international top-notch research talents and introduce more advanced technologies, so as to enhance the Group's R&D capabilities. At the end of 2019, the Group established a R&D centre in Australia for the R&D of technologies and products in "anti-viral and anti-infection" platform, and entered into collaboration with Professor Mark von Itzstein, director of the Institute of Glycomics, Griffith University, Australia, inventor of "zanamivir", to jointly develop the world's innovative drug for the treatment of parainfluenza. Currently, the R&D work is progressing smoothly. Meanwhile, the Group, jointly with Australian National University, is conducting a Phase Ib clinical study of the HIP project for the treatment of sepsis as well as a Phase II clinical study for the treatment of COVID-19 ARDS in Australia. Other overseas products under research include Ryaltris for the treatment of allergic rhinitis, an innovative drug for the treatment of dry eye disease, mRNA platform and tumor immunology platform TAVO™. So far, the Group has more than 70 pipeline projects under research. The development strategy of "self-development" and "global expansion" reinforces the Group's R&D capability and efficiency, and attracts international top talents and advanced technologies, laying solid foundation for the Group's globalization and comprehensive advantages.

### **Broadening Revenue Sources through Multi-Channel Expansion and Unremittingly Strengthening Comprehensive Advantages**

Since COVID-19 pandemic, pharmaceutical industry has been exposed to an unprecedented challenge, under which the Chinese government has introduced a series of policies and guidelines to promote the development of Internet healthcare sector and build an “Internet + Healthcare” platform so as to alleviate the problem of being difficult to get medical service during the pandemic by reasonably reallocating medical resources. The Group followed the policies and has actively expanded online sales channels of non-prescription drugs during the pandemic. The sales of “Rui Zhu” eye drop, a major ophthalmology product, grew against the downward trend during the pandemic with an increase of approximately 34.2% as compared to last year. In future, the Group will further broaden marketing and sales channels, consolidate e-commerce platform, facilitate promotion of healthful lifestyle and unlock sales potential of more products to benefit more patients.

To speed up the continuous development of the Group’s innovative technologies and products, recently, the Group has made capital commitment to Nanjing Fund and CNCB Fund. The investment scope and target sectors of CNCB Fund mainly include the world’s leading pharmaceutical companies and medical device manufacturers focusing on different aspects such as biopharmaceutical, cerebro-cardiovascular, ophthalmic, tumor, etc., which are in line with the business strategy of the Group. Such investment helps the Group to hunt for R&D projects of higher quality globally and to enhance the Group’s R&D capability, with the objective of transforming toward innovation and globalization. Also, such investment will not only allow the Group to diversify its research and financial risk of making similar investments, but will also enable the Group to expand the scope of incubation and development of innovative projects with the same amount of investment. In future, it is expected that these two funds will keep contributing to the Group’s expansion in international projects and bringing momentum for the Group to introduce advanced technologies and products. As a result, the Group’s business development ability in both domestic and overseas markets will continue to be improved and its product pipeline to be enriched.

### Financial Resources and Liquidity

As at 30 June 2020, the Group had current assets of HK\$4,372.98 million (31 December 2019: HK\$3,816.32 million) and current liabilities of HK\$4,404.46 million (31 December 2019: HK\$3,589.56 million). The current ratio was approximately 0.99 as at 30 June 2020 as compared with approximately 1.06 as at 31 December 2019.

The Group's cash and bank balances as at 30 June 2020 amounted to HK\$1,396.06 million (31 December 2019: HK\$1,059.27 million), of which approximately 3.9% were denominated in Hong Kong Dollars, United States Dollars, Australian Dollars, Euro and 96.1% in Renminbi.

As at 30 June 2020, the Group had outstanding bank loans of approximately HK\$2,699.45 million (31 December 2019: HK\$2,010.16 million) all granted by banks in the PRC and dominated in RMB. The interest rates charged by banks ranged from 2.60% to 6.89% (31 December 2019: 2.92% to 6.89%) per annum, in which approximately HK\$369.15 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with a net book value of approximately HK\$150.72 million (31 December 2019: HK\$287.89 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was approximately 31.0% as at 30 June 2020 as compared with approximately 24.0% as at 31 December 2019.

Since the Group's principal activities are in the PRC and the financial resources available, including cash and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, the exposure to foreign exchange fluctuation is relatively low.

The Group intends to finance its operations and investing activities with its proceeds from operating revenue, internal resources and bank facilities. The Directors believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2020, the Group did not have any other foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.



## Management Discussion and Analysis

### Material Acquisitions and Disposals

Save as disclosed above, the Group did not have material acquisitions and disposals for the six months ended 30 June 2020.

### Significant Investment

Save as disclosed above, the Group did not have other significant investment for the six months ended 30 June 2020.

### Employees and Remuneration Policy

As at 30 June 2020, the Group employed 8,213 staff and workers in Mainland China and Hong Kong, the PRC (31 December 2019: 8,485). The Group remunerates its employees based on their performance and experience and their remuneration package and system will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

### Events after the Reporting Period

On 22 July 2020, the Group entered into an agreement to subscribe and acquire equity interests of Nanjing Kainite, and committed to contribute an additional capital of RMB100 million to Nanjing Fund. Further details please refer to the announcement of the Company dated 27 July 2020.

On 1 August 2020, the Group entered into a placing agreement with China International Capital Corporation Hong Kong Securities Limited (as placing agent) to place 172,000,000 new shares of the Company at the price of HK\$5.90 each to not less than six placees, including Beijing Pan Feng has invested in the Company through a derivative contract with one of the Placees, and another one of the Placees is an affiliate of Hillhouse. The placing was completed on 10 August 2020. Further details please refer to the announcements of the Company dated 2 August 2020 and 10 August 2020.

Save as disclosed above, no subsequent events occurred after 30 June 2020, which may have a significant effect, on the assets and liabilities of future operations of the Group.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the Directors and the chief executives of the Company, and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as other wise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"):

#### Long positions in the shares of the Company:

Name of Director	Capacity	Number of Ordinary shares held	Approximate percentage of the Company's issued share capital
Shao Yan	Interests in spouse ( <i>Note</i> )	6,019,600	0.18%

*Note:* Dr. Shao Yan, a director of the Company, is the spouse of Ms. Tian Wen Hong who is the holder of the above shares. By virtue of the SFO, Dr. Shao Yan shall be deemed to be interested in such 6,019,600 Shares.

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

## Other Information

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the following persons (other than the directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

## Long and short positions in the shares of the Company:

Name of Shareholders	Notes	Number of the shares interested	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Outwit Investments Limited (" <b>Outwit</b> ")	1	1,671,671,149 (L)	Beneficial owner	49.49 (L)
Grand (Hongkong) International Investments Holdings Limited (" <b>Grand Investment</b> ")	1	1,671,671,149 (L)	Interest of controlled corporation	49.49 (L)
China Grand Enterprises Incorporation (" <b>China Grand</b> ")	1	1,671,671,149 (L)	Interest of controlled corporation	49.49 (L)
Shanghai China Grand Asset Finance Investment Management Co., Limited (" <b>Shanghai Finance</b> ")	2	286,039,153 (L)	Beneficial owner/ Interest of controlled corporation	8.47 (L)
Mr. Hu Kaijun (" <b>Mr. Hu</b> ")	1 & 2 & 3	1,998,730,302 (L)	Interest of controlled corporation	59.17 (L)
Ms. Chau Tung	1 & 2 & 3	1,998,730,302 (L)	Beneficial owner/ Interest in spouse	59.17 (L)
CDH Giant Health I Limited (" <b>CDH Giant</b> ")	4	356,648,142 (L)	Beneficial owner	10.56 (L)
CDH Fund V, L.P. (" <b>CDH Fund</b> ")	4	356,648,142 (L)	Interest of controlled corporation	10.56 (L)

Name of Shareholders	Notes	Number of the shares interested	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
CDH V Holdings Company Limited ("CDH V")	4	356,648,142 (L)	Interest of controlled corporation	10.56 (L)
China Diamond Holdings V Limited ("China Diamond V")	4	356,648,142 (L)	Interest of controlled corporation	10.56 (L)
China Diamond Holdings Company Limited ("China Diamond")	4	356,648,142 (L)	Interest of controlled corporation	10.56 (L)
Assicurazioni Generali S.p.A ("Assicurazioni")	6	279,311,959 (L)	Interest of controlled corporation	8.27 (L)
Mr. Li Zhenfu	7	279,311,959 (L)	Interest of controlled corporation	8.27 (L)
Lion River I N.V.	5 & 6	279,311,959 (L)	Interest of controlled corporation	8.27 (L)
GL Capital Management GP L.P. ("GL Management (L.P.)")	5	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL Capital Management GP Limited ("GL Management (Limited)")	5	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL China Opportunities Fund L.P. ("GL Opportunities")	5	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL Partners Capital Management Ltd. ("GL Partners")	7	225,639,959 (L)	Interest of controlled corporation	6.68 (L)
GL SAINO Investment Limited ("GL Saino")	5	181,069,959 (L)	Beneficial owner	5.36 (L)

(L) denotes long position

## Other Information

## Note:

1. Outwit is the beneficial owner of 1,671,671,149 Shares. Grand Investment, being wholly-owned by China Grand, held 99.85% equity interests of Outwit, and Ms. Chau Tung, spouse of Mr. Hu, held the remaining 0.15% equity interests. Grand Investment and China Grand are therefore deemed to be interested in 1,671,671,149 Shares pursuant to the SFO.
2. Beijing Yuanda Huachuang Investment Co., Ltd. (北京遠大華創投資有限公司), a company wholly owned by Mr. Hu, owned 70% of the equity interests of Shanghai Finance. Shanghai Finance is the beneficial owner of 255,142,148 Shares. East Ocean Capital (Hong Kong) Limited, a wholly owned subsidiary of Shanghai Finance, also holds 30,897,005 Shares. Shanghai Finance is therefore deemed to be interested in 286,039,153 Shares pursuant to the SFO.
3. China Grand is controlled and ultimately and beneficially owned by Mr. Hu. Ms. Chau Tung, spouse of Mr. Hu, is also the beneficial owner of 41,020,000 Shares. Mr. Hu and Ms. Chau Tung are therefore deemed to be interested in 1,998,730,302 Shares pursuant to the SFO.
4. CDH Giant is the beneficial owner of 356,648,142 Shares. CDH Giant is wholly-owned by CDH Fund, and pursuant to the SFO CDH Fund is therefore deemed to be interested in the 356,648,142 Shares. CDH Fund is controlled by CDH V, which in turn held as to 80% by China Diamond V. China Diamond V is in held as to 100% by China Diamond.
5. GL Healthcare Investment LP ("**GL Healthcare**") is the beneficial owner of 44,570,000 Shares. GL Healthcare is a limited partnership incorporated in Canada. The general partner of GL Healthcare is GL Capital Management GP II B.C. 2 Ltd., which is wholly-owned by GL Management (Limited). GL Management (Limited) is in turn held as to 49% by Lion River I N.V. Pursuant to the SFO these companies are therefore deemed to be interested in the 44,570,000 Shares.  
  
GL China Long Equity Opportunities Fund SPV LP ("**GL Long Equity (SPV)**") is the beneficial owner of 53,672,000 Shares. GL Long Equity (SPV) is a limited partnership incorporated in Canada. Lion River I N.V. owns 94.47% interests in GL China Long Equity Opportunities Fund LP., which in turn owns 80.13% interests in GL Long Equity (SPV). Pursuant to the SFO these companies are therefore deemed to be interested in the 53,672,000 Shares.  
  
GL Saino is the beneficial owner of 181,069,959 Shares. GL Saino is wholly-owned by GL Opportunities. The general partner of GL Opportunities is GL Management (L.P.) and is in turn wholly-owned by GL Management (Limited). GL Management (Limited) is held as to 49% by Lion River I N.V. Pursuant to the SFO these companies are therefore deemed to be interested in the 181,069,959 Shares.
6. As stated above, Lion River I N.V. is deemed to be interested in an aggregate of 279,311,959 Shares. Lion River I N.V. is wholly-owned by Assicurazioni. Pursuant to the SFO Assicurazioni is therefore deemed to be interested in the 279,311,959 Shares.
7. Mr. Li Zhenfu owns 70% interests in GL Partners, which in turn owns 51% interests in GL Management (Limited). As stated above, GL Management (Limited) is indirectly interested in 225,639,959 Shares, and pursuant to the SFO. Mr. Li Zhenfu is therefore deemed to be interested in the 225,639,959 Shares. Mr. Li Zhenfu also wholly-owns GL China Opportunities Carry GP Limited, which in turn wholly-owns GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd. GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd. is the general partner of GL Long Equity (SPV), which is the beneficial owner of 53,672,000 Shares. Pursuant to the SFO Mr. Li Zhenfu is therefore also deemed to be interested in the 53,672,000 Shares and in aggregate, 279,311,959 Shares.

Save as disclosed above, as at 30 June 2020, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

### MODEL CODE FOR 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 its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2020.

### CODE OF CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2020.

### AUDIT COMMITTEE

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and reports, and overseeing the financial controls, risk management and internal control system of the Group. Currently, the audit committee is chaired by independent non-executive Director Ms. So Tosi Wan, Winnie and other members including the independent non-executive Director Dr. Pei Geng and Mr. Hu Yebi.

The Group's unaudited interim financial statements for the six months ended 30 June 2020 has been reviewed by the audit committee.

### REMUNERATION COMMITTEE

The Company has established the remuneration committee to consider the remuneration of all directors and senior management of the Company. Currently, the remuneration committee is chaired by independent non-executive Director Ms. So Tosi Wan, Winnie and other members including the executive Director Mr. Liu Chengwei and independent non-executive Director Mr. Hu Yebi.

### NOMINATION COMMITTEE

The Company has established the nomination committee to assist the Board in the overall management of the director nomination practices of the Company. Currently, the nomination committee is chaired by independent non-executive Director Ms. So Tosi Wan, Winnie and other members including the executive Director Dr. Shao Yan and independent non-executive Director Mr. Hu Yebi.

By order of the Board

**China Grand Pharmaceutical and Healthcare Holdings Limited**  
**Liu Chengwei**  
*Chairman*

Hong Kong, 10 August 2020

## Financial Contents

Interim Results	40
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	40
Condensed Consolidated Statement of Financial Position	42
Condensed Consolidated Statement of Changes in Equity	44
Condensed Consolidated Statement of Cash Flows	45
Notes to the Condensed Consolidated Financial Statements	46



## Interim Results

The board (the “**Board**”) of directors (the “**Directors**”) of China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results for the six months ended 30 June 2020 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the previous period.

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>3,255,784</b>	3,587,058
Cost of sales		<b>(1,215,195)</b>	(1,314,579)
<b>Gross profit</b>		<b>2,040,589</b>	2,272,479
Other revenue and income		<b>95,577</b>	71,900
Distribution costs		<b>(955,523)</b>	(1,259,668)
Administrative expenses		<b>(309,415)</b>	(329,826)
Other operating expenses		<b>(3,950)</b>	(2,930)
Share of results of associates		<b>62,159</b>	12,433
Finance costs		<b>(58,116)</b>	(84,901)
<b>Profit before tax</b>		<b>871,321</b>	679,487
Income tax expense	4	<b>(165,505)</b>	(123,933)
<b>Profit for the period</b>	5	<b>705,816</b>	555,554

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Other comprehensive income/(loss), net of income tax</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of associates		8,179	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		(55,428)	85,168
Other comprehensive income/(loss) for the period, net of income tax		(47,249)	85,168
<b>Total comprehensive income for the period, net of income tax</b>		<b>658,567</b>	640,722
<b>Profit/(loss) for the period attributable to:</b>			
— Owners of the Company		718,509	546,957
— Non-controlling interests		(12,693)	8,597
		<b>705,816</b>	555,554
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
— Owners of the Company		670,451	631,465
— Non-controlling interests		(11,884)	9,257
		<b>658,567</b>	640,722
<b>Dividend</b>	6	—	—
<b>Earnings per share</b>	7		
— Basic (HK cents)		21.27	17.22
— Diluted (HK cents)		21.27	16.54

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		2,838,564	2,921,470
Right-of-use assets		329,486	342,364
Investment properties		78,273	79,815
Interests in associates		5,905,912	5,165,955
Equity instruments at fair value through other comprehensive income		176,037	95,025
Goodwill		472,104	480,321
Intangible assets		812,268	794,723
Deferred tax assets		19,488	19,872
Prepayments		87,421	97,439
		<b>10,719,553</b>	9,996,984
<b>Current assets</b>			
Financial asset at fair value through profit or loss	11	66,272	71,891
Inventories		810,796	814,373
Trade and other receivables	9	2,037,565	1,698,808
Amounts due from related companies		18,445	50,697
Pledged bank deposits		43,843	121,285
Cash and cash equivalents		1,396,058	1,059,269
		<b>4,372,979</b>	3,816,323
<b>Current liabilities</b>			
Trade and other payables	10	2,434,479	2,026,196
Contract liabilities		73,930	305,558
Bank and other borrowings		1,670,751	967,607
Lease liabilities		8,384	22,621
Amounts due to related companies		13,862	33,155
Amounts due to immediate holding company		2,331	3,402
Income tax payable		200,719	231,024
		<b>4,404,456</b>	3,589,563
<b>Net current (liabilities)/assets</b>		<b>(31,477)</b>	226,760

## Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
<b>Total assets less current liabilities</b>		<b>10,688,076</b>	10,223,744
<b>Non-current liabilities</b>			
Bank and other borrowings		1,048,448	1,062,690
Lease liabilities		12,551	11,928
Deferred tax liabilities		168,289	171,506
Deferred income		561,290	466,613
		<b>1,790,578</b>	1,712,737
<b>Net assets</b>		<b>8,897,498</b>	8,511,007
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	12	33,776	33,776
Reserves		8,687,695	8,341,491
<b>Equity attributable to owners of the Company</b>		<b>8,721,471</b>	8,375,267
<b>Non-controlling interests</b>		<b>176,027</b>	135,740
<b>Total equity</b>		<b>8,897,498</b>	8,511,007

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital		Share premium		Contribution Share surplus premium		Statutory reserve		Safety fund		Translation reserve		Other reserve		Convertible bonds		FVTOCI		Retained profits		Equity attributable to owners of the Company		Non-controlling interests		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2019 (audited)	31,348	5,052,102	121,273	273,165	28,825	(141,922)	(92,677)	65,979	862	1,852,004	7,190,959	243,668	7,434,627												
Profit for the period	-	-	-	-	-	-	-	-	-	546,957	546,957	8,597	555,554												
Other comprehensive income for the period:																									
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	84,286	-	-	-	-	-	-	-	-	-	-	-	84,286	660	-	84,946	
Total comprehensive income for the period	-	-	-	-	-	-	-	-	84,286	-	-	-	-	-	-	-	-	-	-	546,957	631,243	9,257	-	640,500	
Conversion of a convertible bond issue and subscription of new shares for the period	2,222	356,594	-	-	-	-	-	-	-	-	-	-	(65,979)	-	-	-	-	-	-	-	292,837	-	-	292,837	
Dividend	206	102,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	102,617	-	-	102,617	
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(290,471)	(290,471)	-	-	(290,471)	
At 30 June 2019 (unaudited)	33,776	5,511,107	121,273	273,165	28,825	(57,636)	(92,677)	-	862	2,108,490	7,927,185	251,067	8,178,252												
At 1 January 2020 (audited)	33,776	5,511,107	121,273	403,510	28,825	(207,894)	(98,504)	-	1,038	2,582,136	8,375,267	135,740	8,511,007												
Profit for the period	-	-	-	-	-	-	-	-	-	718,509	718,509	(12,693)	705,816												
Other comprehensive income for the period:																									
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	18,588	-	-	-	18,588								18,588	-	-	18,588	
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	-	(66,646)	-	-	-	(66,646)								(66,646)	810	-	(65,836)	
Total comprehensive income for the period	-	-	-	-	-	(48,058)	-	-	-	718,509	670,451	(11,884)	658,567												
Capital contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	54,080								-	54,080	-	54,080	
Dividend	-	-	-	-	-	-	-	-	-	-	-	-	(324,247)								(324,247)	-	-	(324,247)	
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-							-	-	(1,909)	-	(1,909)	
Transfer	-	-	-	6,727	-	-	-	-	-	-	-	-	(6,727)								-	-	-	-	
At 30 June 2020 (unaudited)	33,776	5,511,107	121,273	410,237	28,825	(255,952)	(98,504)	-	1,038	2,969,671	8,721,471	176,027	8,897,498												

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>438,801</b>	397,812
<b>Investing activities</b>		
Purchase of property, plant and equipment	(81,774)	(146,598)
Net cash outflow from acquisition of a subsidiary	–	(20,485)
Addition of investments in associates	(811,391)	–
Other cash flows arising from investing activities	99,776	40,454
<b>Net cash used in investing activities</b>	<b>(793,389)</b>	(126,629)
<b>Financing activities</b>		
Proceed from issue of equity, net	–	102,616
Repayments of bank loans	(689,253)	(968,578)
Proceeds from new borrowings	1,417,374	1,084,595
Dividend paid	–	(290,471)
Other cash flows arising from financing activities	(19,923)	(146,046)
<b>Net cash generated from/(used in) financing activities</b>	<b>708,198</b>	(217,884)
<b>Net increase in cash and cash equivalents</b>	<b>353,610</b>	53,299
<b>Cash and cash equivalents at 1 January</b>	<b>1,059,269</b>	912,244
Effect of foreign exchange rate changes	(16,821)	(321)
<b>Cash and cash equivalents at 30 June</b>	<b>1,396,058</b>	965,222

# Notes to the Condensed Consolidated Financial Statements

## 1. REVIEW OF INTERIM RESULTS

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee.

## 2. BASIS OF PREPARATION

This consolidated interim financial results has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

This consolidated interim financial result contains consolidated financial results 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 2019 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The financial information relating to the financial year ended 31 December 2019 included in this consolidated interim financial results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2019 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 May 2020.

The accounting policies and methods of computation used in the preparation of this interim results announcement are consistent with those adopted by the Group in the 2019 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2020. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

## Notes to the Condensed Consolidated Financial Statements

## 3. REVENUE AND SEGMENT INFORMATION

For the six months ended 30 June 2020, the Group is principally engaged in manufacture and sales of pharmaceutical products and medical devices, bio-technology products and nutrition products, specialized pharmaceutical ingredients and other products. The Board, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

The Group's revenue represents the invoiced value of goods sold, net of discounts and sales related taxes.

**Geographical information**

The Group's operations are mainly located in the People's Republic of China (the "PRC") (country of domicile) and it also derives revenue from America, Europe and Asia.

Information about the Group's revenue from external customers is presented based on geographical location of the customers and information about the Group's non-current assets is presented based on geographical location of the assets are detailed below:

	Revenue from external customers Six months ended 30 June		Non-current assets	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
The PRC	2,555,332	2,867,224	8,123,038	7,056,007
America	290,274	185,115	–	–
Europe	193,760	307,038	–	–
Asia other than the PRC	201,838	200,046	–	490
Others	14,580	27,635	–	–
<b>Total</b>	<b>3,255,784</b>	<b>3,587,058</b>	<b>8,123,038</b>	<b>7,056,497</b>

Note: Non-current assets excluded equity instruments at fair value through comprehensive income, deferred tax assets and a part of interests in associates.



## Notes to the Condensed Consolidated Financial Statements

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

**Information about major customers**

For the six months ended 30 June 2020 and 2019, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

## 4. INCOME TAX EXPENSES

Taxation in the condensed consolidated statement of profit or loss and other comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2020</b> HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	<b>166,264</b>	126,057
Deferred tax	<b>(759)</b>	(2,124)
	<b>165,505</b>	123,933

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company did not have any assessable profits subject to Hong Kong Profits tax at the rate of 16.5% (2019: 16.5%) during the reporting period. Provision on profits assessable elsewhere has been calculated at the rate of tax prevailing to the countries to which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

According to the relevant PRC tax regulations, High-New Technology Enterprise (the "HNTE") being assessed by relevant government authorities are entitled to a reduced Enterprise Income Tax (the "EIT") rate of 15%. Certain subsidiaries are recognised as HNTE and accordingly, are subject to EIT at 15%. The recognition as a HNTE is subject to review on every three years by the relevant government bodies.

## Notes to the Condensed Consolidated Financial Statements

## 5. PROFIT FOR THE PERIOD

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 (Unaudited)
Profit before tax is stated after charging:		
Staff costs comprises:		
— Wages and salaries	<b>536,167</b>	535,549
— Retirement benefits schemes contributions	<b>24,477</b>	32,147
	<b>560,644</b>	567,696
Depreciation of property, plant and equipment	<b>122,477</b>	112,505
Depreciation of right-of-use assets	<b>2,767</b>	1,372
Amortisation of intangible assets	<b>3,950</b>	2,930
Total depreciation and amortisation	<b>129,194</b>	116,807
Cost of inventories recognised as an expense	<b>1,215,195</b>	1,314,579
Operating leases rentals in respect of land and buildings	<b>2,481</b>	8,455
Loss on disposal of property, plant and equipment	<b>16,934</b>	191
Research and development costs	<b>112,314</b>	95,625
Written off of property, plant and equipment	<b>789</b>	311

## 6. INTERIM DIVIDEND

During the six months ended 30 June 2020, the Board declared HK\$0.096 per share or approximately HK\$324.25 million in aggregate as final dividend for the year ended 31 December 2019 (2018: HK\$0.086 per share).

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

## Notes to the Condensed Consolidated Financial Statements

## 7. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share calculation	<b>718,509</b>	546,957
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (net of tax)	—	9,598
Earnings for the purpose of diluted earnings per share calculation	<b>718,509</b>	556,555

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>'000</b> <b>(Unaudited)</b>	2019 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<b>3,377,571</b>	3,175,893
Effect of dilutive potential ordinary shares:		
— Convertible bonds	—	189,073
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<b>3,377,571</b>	3,364,966

For the six months ended 30 June 2019, the Company's outstanding convertible bonds were included in the calculation of diluted earnings per share because the effect of the Company's outstanding convertible bonds was diluted.

## Notes to the Condensed Consolidated Financial Statements

## 8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group incurred approximately HK\$81,774,000 (for the six months ended 30 June 2019: HK\$146,598,000) on additions to property, plant and equipment.

## 9. TRADE AND OTHER RECEIVABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables, net	<b>1,303,339</b>	897,991
Bills receivables	<b>331,920</b>	497,866
Prepayments	<b>276,880</b>	194,292
Deposits paid	–	469
Other tax receivables	<b>23,723</b>	38,524
Other receivables, net	<b>101,703</b>	69,666
	<b>2,037,565</b>	1,698,808

The Group generally allows a credit period of 30–180 days to its trade customers. The Group does not hold any collaterals over the trade and other receivables. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date. The bills receivables were all with maturity within 180 days from the reporting date.

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade receivables	<b>1,404,903</b>	998,185
Less: Allowance for credit loss	<b>(101,564)</b>	(100,194)
	<b>1,303,339</b>	897,991

## Notes to the Condensed Consolidated Financial Statements

## 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables is as follows:

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 90 days	<b>1,090,253</b>	773,517
91–180 days	<b>200,461</b>	84,724
181–365 days	<b>12,625</b>	39,750
	<b>1,303,339</b>	897,991

## 10. TRADE AND OTHER PAYABLES

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Trade payables	<b>400,867</b>	355,171
Bills payables	<b>343,955</b>	479,122
Accruals and other payables	<b>1,535,899</b>	1,131,307
Other tax payables	<b>153,758</b>	60,596
	<b>2,434,479</b>	2,026,196

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

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Within 90 days	<b>304,580</b>	237,118
Over 90 days	<b>96,287</b>	118,053
	<b>400,867</b>	355,171

## Notes to the Condensed Consolidated Financial Statements

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Equity securities listed in Hong Kong ( <i>note (a)</i> )	44,332	38,332
Unlisted wealth management products ( <i>note (b)</i> )	21,940	33,559
	<b>66,272</b>	71,891

Note:

- (a) The fair value of the listed equity securities was determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.
- (b) The Group's investment in wealth management products were designed as financial assets at fair value through profit or loss of which fair values are determined by reference to the quoted market bid prices available on the relevant PRC market.

## 12. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each		31 December 2019	
	30 June 2020 Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
<b>Authorised:</b>				
At the beginning of the period/year	100,000,000	1,000,000	100,000,000	1,000,000
At the end of the period/year	100,000,000	1,000,000	100,000,000	1,000,000
<b>Issued and fully paid:</b>				
At the beginning of the period/year	3,377,571	33,776	3,134,825	31,348
Exercise of convertible bond ( <i>note (a)</i> )	-	-	222,222	2,222
Issue under subscription ( <i>note (b)</i> )	-	-	20,524	206
At the end of the period/year	<b>3,377,571</b>	<b>33,776</b>	3,377,571	33,776

## Notes to the Condensed Consolidated Financial Statements

## 12. SHARE CAPITAL (CONTINUED)

Note:

- (a) On 3 June 2019, the Company issued of ordinary shares to the convertible bond holder of 222,222,222 shares of par value HK\$0.01 as a result of the conversion of bond with principal amount of HK\$300,000,000.
- (b) On 31 August 2018, 7 September 2018 and 3 October 2018, the Company placed to Shanghai China Grand Asset Finance Investment Management Co., Limited of 36,020,000, 34,100,000 and 137,504,950 shares of par value HK\$0.01 each at placing price HK\$5.00 respectively for total consideration, before expense, of HK\$1,038,124,750. On 3 May 2019, the remaining 20,523,198 shares of par value HK\$0.01 each were issued at placing price of HK\$5.00 for consideration of HK\$102,615,990. The proceeds used for paying the acquisition of Taiwan Tung Yang International Company Limited and the Company's general working capital.

## 13. COMMITMENTS

## (a) Operating lease commitment

*The Group as lessor*

The Group sub-leases certain of its office premises under operating lease arrangement. The rental income earned during the period was approximately HK\$52,000 (2018: HK\$176,000). The Group had future minimum lease receipts from tenants under non- cancellable operating lease which fall due as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	197	393
In the second to fifth year inclusive	81	126
	<b>278</b>	519

## 13. COMMITMENTS (CONTINUED)

**(b) Capital commitment**

	<b>30 June 2020 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
Capital expenditure contracted but not provided for:		
Acquisition of property, plant and equipment	<b>19,472</b>	7,654

## 14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2020 (2019: Nil).



## Corporate Information

### Executive directors

Mr. Liu Chengwei (*Chairman*)  
Mr. Hu Bo (*Deputy Chairman*)  
Dr. Shao Yan (*Chief Executive Officer*)  
Dr. Niu Zhanqi

### Independent non-executive directors

Ms. So Tosi Wan, Winnie  
Mr. Hu Yebi  
Dr. Pei Geng

### COMPANY SECRETARY

Mr. Foo Tin Chung, Victor

### AUTHORISED REPRESENTATIVES

Mr. Liu Chengwei  
Mr. Foo Tin Chung, Victor

### AUDIT COMMITTEE

Ms. So Tosi Wan, Winnie (*Chairwoman*)  
Mr. Hu Yebi  
Dr. Pei Geng

### REMUNERATION COMMITTEE

Ms. So Tosi Wan, Winnie (*Chairwoman*)  
Mr. Hu Yebi  
Mr. Liu Chengwei

### NOMINATION COMMITTEE

Ms. So Tosi Wan, Winnie (*Chairwoman*)  
Dr. Shao Yan  
Mr. Hu Yebi

### WEBSITE

[www.chinagrandpharm.com](http://www.chinagrandpharm.com)

### AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### LEGAL ADVISERS

*As to Bermuda Law:*  
Conyers Dill & Pearman

*As to Hong Kong Law:*  
Loeb & Loeb LLP

### PRINCIPAL SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building  
69 Pitts Bay Road  
Pembroke HM08  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor  
Services Limited  
Shops 1712–1716, Hopewell Centre  
183 Queen's Road East, Hong Kong

### PRINCIPAL BANKERS

HSBC  
Bank of China  
Bank of Communications

### REGISTERED OFFICE

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

### PRINCIPAL OFFICE

Units 3302, The Center  
99 Queen's Road Central, Hong Kong