



远大健康  
CGE HEALTHCARE

# 2021

## Interim Report

**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

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# Corporate Profile

China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is an international pharmaceutical company of technological innovation. The core products of the Group cover several major business areas, featured products of which include the anti-tumor, cardiovascular emergency pharmaceutical products and advanced cerebro-cardiovascular intervention advanced medical devices, anti-virus and anti-infection, respiratory and ENT, bio-health products and specialized pharmaceutical ingredients. The Group has mainly focused on four business scopes, namely “innovative drugs with high entry barriers”, “branded drugs”, “integration of raw materials”, and “nutrition products”. There are three major segments of global innovation and technology leadership, namely precision interventional diagnosis and treatment, Radionuclide-drug conjugate (“**RDC**”) and immunotherapy, to be carried out with a forward-looking view by the Group. The Group has taken part in four technology R&D platforms and five R&D centers around the world.

During the first half of 2021, benefiting from the effective control over the pandemic in the PRC, the Group’s production and operation has been back to normal in the first half of the year with positive earnings recorded from the sale of existing products. In the first half of 2021, the Group recorded gain of approximately HK\$4,570 million, representing an increase of approximately 40.3% as compared with the same period of last year and the Group’s profit for the year attributable to owners of the Company reached approximately HK\$1,200 million, representing a year-on-year increase of approximately 67.4%. If the gain from fair value change of investment in Telix is excluded, the Group’s profit attributable to the owners of the Company increased by 26.3% as compared to the same period of last year.

Since the Group has a strong industrial foundation and a complete industrial chain with outstanding comprehensive advantages in pharmaceutical raw materials and preparations integration, it is listed as an emergency medicines manufacturer for national ready reserve, a national essential medicines base and a national centralized production base for minority-variety medicines, etc., laying a solid foundation for the sustained and stable growth of the Group’s result. Moreover, the Group has more than 90 products included in the Chinese National List of Essential Drugs (2018 Version), more than 200 products included in the National Drug List for Basic Medical Reimbursement, Work-Related Injury Reimbursement and Maternity Reimbursement (2020 Version). A total of eight products have been approved to pass the consistency evaluation, among which, seven products have won the bid for the national centralized procurement of medicines.

The Group has obvious advantages in traditional fields such as the respiratory and ENT, and cardiovascular emergency preparations. While a number of barrier products and exclusive products with leading market share make a stable contribution, the Group has also reserved three innovative products in the late clinical stage or launched overseas, including the treatment of “dry eye disease”, “pterygium”, “anti-inflammatory and pain relief after ophthalmology surgery”, “allergic rhinitis” and “severe allergic reaction”. The Group will continue to adopt the R&D concept of combining innovator and generic to create a product cluster, and keep consolidating its leadership in this segment in the future. The Group has established a long-term and stable cooperative relationship with many overseas high-quality customers in the fields of bio-health products and specialised pharmaceutical ingredients products, which constitutes an important support for the Group’s sustained and stable business performance.

Meanwhile, by fully capitalising “accurate and stable business development capabilities at home and abroad, the introduction and digestion of international leading technologies, excellent marketing and sales capabilities”, the Group is aiming at the frontier areas of technological innovation. With the strategy of “building a wall, deepening exploration, storing reserves” and the vision of internationalization and technological innovation, the Group continues to expand and reach a new business growth point, implements the innovative strategies of “Missile, Nuclear Bomb and Satellite”, which includes “cerebro-cardiovascular precision interventional diagnosis and treatment”, “anti-tumor” and “anti-virus and anti-infection”. We intend to build a world leading pan-interventional diagnostic and therapeutic platform and strive to develop as the international first-class leader in terms of technology in the fields of treatment platform of tumor and severe anti-infection.

The field of “cerebro-cardiovascular precision interventional diagnosis” concerns on five directions, i.e. vascular intervention, neurointervention, structural cardiac disease, electrophysiology and heart failure. For the purpose of a comprehensive deployment, a product cluster of technologically innovative high-end medical device is in place. Currently, there are nine products for the segment, among which, two products of vascular intervention, namely RESTORE DEB, which is the only innovative coronary intervention drug coating balloon product in the market with two indications of de novo coronary artery lesions and in-stent restenosis, and APERTO OTW, which is the first renal dialysis drug coating balloon product of hemodialysis patient, have been approved for launch in the PRC. The other seven products are in different research stage and are expected to be approved for launch around 2025. At the same time, regarding “introduction and landing” and “synchronously independent and localized R&D” as its development direction, the Group will realize the construction of a dual system of local + global R&D and production, as well as accelerate product launches and improve its own R&D capability. With the belief of “persistence is the key to success”, it is the Group’s target to build this segment into a leading “cerebro-cardiovascular precision interventional diagnosis and treatment platform” in the PRC and even the world.

# Corporate Profile

In the field of anti-tumor, “radionuclide” and “immunization” are the key layout world-wide, in which for radionuclide it has established an all-round layout covering R&D, production, sales and supervision qualification and built up the full industry chain in 3 years. In terms of product pipelines, there are 13 global innovative products, of which 10 products are in clinical trials across different locations in the globe, covering 10 major solid tumors. The variety and quantity of the Group’s product pipeline are at the leading level in this industry. SIR-Spheres® Y-90 resin microspheres is the radionuclide-drug conjugates, being the Group’s global innovative blockbuster products, and its new drug application (the “**NDA**”) has been approved by the National Medical Products Administration of the PRC (“**NMPA**”), making it possible to provide a new treatment resolution to liver cancer patients in China. In terms of R&D, the Group relied on Telix Pharmaceuticals Limited (“**Telix**”), Sirtex Medical Pty Ltd. (“**Sirtex**”) and OncoSec Medical Incorporated (“**OncoSec**”) to establish their international first-class R&D platforms for radionuclide-drug conjugate (RDC), tumor intervention and DNA immunization, greatly enhancing the Group’s R&D strength in the fields of radionuclide drug anti-tumor and tumor immunity. The Group will continue to increase investment in and development of global innovative products in the field of radiopharmaceuticals and tumor immunity in response to unmet clinical needs and enrich product pipeline and improve supply chain, dedicating itself into building a world-leading radiopharmaceutical diagnosis and treatment platform and tumor immunotherapy platform.

The global first-in-class drug against unmet clinical needs is the focus in the field of anti-virus and anti-infection. In terms of product pipelines, there are three global innovative drugs, two of which are global innovative drugs for the treatment of hospitalised sepsis and acute respiratory distress syndrome (the “**ARDS**”), STC3141 and APAD, and one of which is a global innovative drug for the treatment of parainfluenza. The clinical progress of STC3141 was rapid. Currently, its clinical research against sepsis, ARDS and COVID-19 has commenced in Australia, Belgium and the PRC.

In the field of mRNA therapy, the COVID-19 epidemic has made mRNA therapy “unprecedentedly famous after decades”, leading to a potential major and far-reaching impact on the vaccine industry and even the entire biotechnology industry. Nanjing AuroRNA Biotech Co., Ltd. (“**AuroRNA Biotech**”), a company established by the Group and Belgium based eTheRNA Immunotherapies NV (“**eTheRNA**”), has independent R&D capability, accompanying with the ability to compete with international leading mRNA companies.

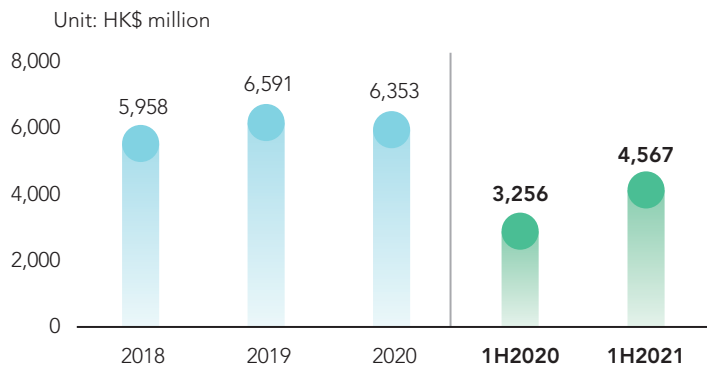
The Group is accelerating the pace of globalization. Since 2015, the Group has not only held a high proportion of shares in two important associates, Sirtex and OncoSec, but also established equity and product strategic cooperation with Germany-based Cardionovum GmbH ("**Cardionovum**"), Canada-based Conavi Medical Inc. ("**Conavi**"), Australia-based Telix, Belgium based eTheRNA, BRIM Biotechnology, Inc. and Formosa Pharmaceuticals, Inc. ("**Formosa**") in Taiwan, etc. Its presence has reached North America, Europe, Australia, Asia and other regions around the world. Together with its major associates, the Group has established production bases in the United States, Canada, Germany and Singapore, and has a world-wide sales network in more than 60 countries and regions, and has taken part in R&D centers located in United States, Australia and Belgium.

"Maintain stable growth, strive in innovation and decide the layout", upon the principles of meeting the needs of patients, adapting to market development and insisting on technological innovation as well as the development concept of "comprehensive strengths, innovation barriers and global expansion" and the strategy of "dual-wheel driving development of independent R&D, global expansion and dual-cycle operation", the Group has formed a new pattern of domestic and international cycles that synergize with each other, and is committed to becoming an international pharmaceutical company of technological innovation, delivering on its promises for doctors and patients, and making significant contribution to the society.

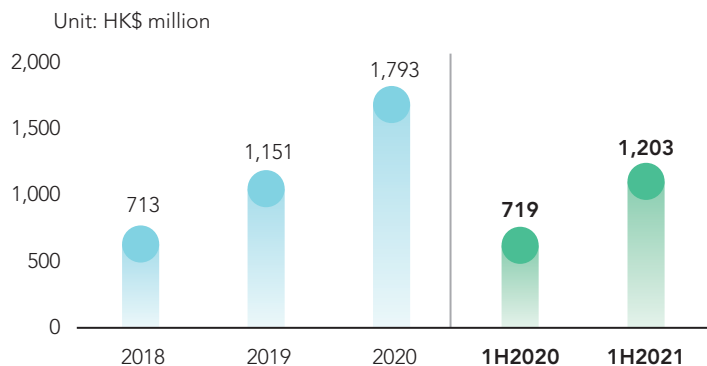
# Corporate Profile

## FINANCIAL HIGHLIGHTS

### Revenue



### Net profits attributable to the owners of the Company



## COMPANY PROFILE

### Pharmaceutical Preparation



#### **Respiratory and ENT medicines:**

Ophthalmic: Rui Zhu, He Xue Ming Mu series, Xin Bai Nei Ting, 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, 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)

### Bio-Technology Products and Healthcare Products

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

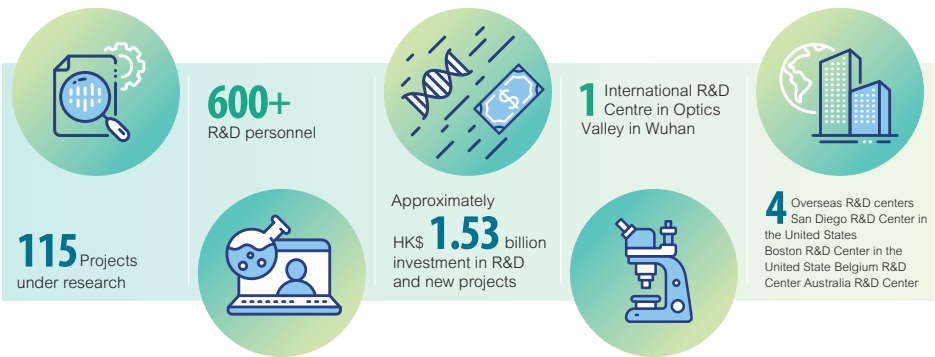
### Specialized Pharmaceutical Ingredients and Other Products

Metronidazole, chloramphenicol, dimethyl sulfate, nitromethane and epinephrine

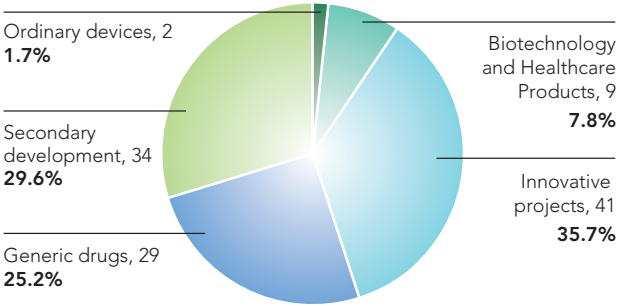


# Corporate Profile

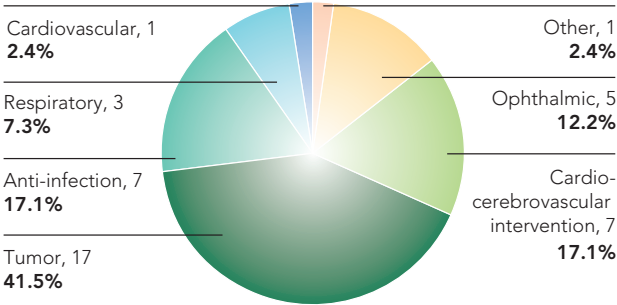
## RESEARCH AND DEVELOPMENT



### Overview of 115 R&D projects by product pipelines



### Overview of 41 innovative projects by therapeutic fields



## INNOVATION PIPELINE SCHEDULE

### Product pipeline in the field of precise intervention:

Sector	Product	Indications	Category	R&D progress					Launching schedule (estimated)	
				R&D	Model inspection	Under clinical trial	Registration for launching	Launch	Overseas	PRC
Vascular intervention	RESTORE®	De novo coronary artery lesions and in-stent restenosis	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2011	2019
	APERTO®	Arteriovenous stula treatment of hemodialysis	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2013	2020
	LEGFLOW®	Peripheral vascular disease	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2011	2024
	Intravascular shockwave calcification treatment system	Moderate or severe arterial calcification	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		
	NOVASIGHT	Coronary artery imaging and intracavity interventional surgery	Device for diagnosis	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2018	2023
Structural cardiac disease	FORESIGHT	Preoperative diagnosis and intraoperative guidance for radiofrequency ablation or structural heart disease	Device for diagnosis	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2017	2024
Neurointervention	New stent retriever	Ischemic stroke	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		2025
Electrophysiology	HeartLight X3 laser ablation platform	Atrial fibrillation	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	2020	2026
Heart failure	CoRISMA	Heart failure	Treatment	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>		

### Product pipeline in the field of oncology:

Category	Product under research	Indications	Preclinical	Under phase I clinical trials	Under phase II clinical trials	Under phase III clinical trials	NDA	Launch	Launching schedule (estimated)
Precise Intervention	SIR Spheres® Y-90 resin microsphere	Malignant liver tumor							2002 2022
	Thermosensitive embolic agent product	Hypervascular parenchymal organs tumor							2024
	Lava (EVOH Ethylene Vinyl Alcohol Copolymer)	Cerebral aneurysm							
	AuroLase (Photonic Thermal Ablation of Osteosarcoma)	Prostate cancer							
Radionuclide -drug Conjugate (RDC)	TLX591 ( <sup>177</sup> Lu-rosapatumab)	Prostate cancer							2025 2026
	TLX591-CDx ( <sup>68</sup> Ga-PSMA-11)	Prostate cancer — diagnosis							2021 2025
	TLX599-CDx ( <sup>225</sup> Ac-EDDA/HYNIC-IPsMA)	Prostate cancer — diagnosis							
	TLX250 ( <sup>177</sup> Lu-girentuximab)	Clear cell renal cell carcinoma							
	TLX250-CDx ( <sup>89</sup> Zr-girentuximab)	Clear cell renal cell carcinoma — diagnosis						Breakthrough Therapy Designation granted by the FDA	2026- 2028
	TLX101 ( <sup>131</sup> I-IPA)	Glioblastoma						Orphan Drug Designation granted by the FDA	
Immunotherapy	REV-001 (Vesicular Stomatitis Virus)	Colorectal cancer							2027
	TAVO (Interleukin-12 plasmid DNA drug)	Metastatic melanoma Triple-negative breast cancer Squamous cell carcinoma							2023- 2025
	mRNA vaccine (TriMix Technology and Lipid Nanoparticles Technology)	HPV-positive head and neck cancer							

# Corporate Profile

## Product pipeline in the fields of anti-virus, anti-infection, respiratory and ENT:

Category	Product under research	Indications	R&D progress						Launching schedule (estimated)
			Preclinical	Under phase I clinical trials	Under phase II clinical trials	Under phase III clinical trials	NDA	Launch	
Antiviral and Anti-infection	STC3141	Sepsis COVID-19 ARDS							2026
	APAD	Sepsis							2028
	New Parainuenza Drug	Parain-uenza							2030
Ophthalmic and ENT	Ryaltris	Allergic rhinitis							2025
	BRM421	Dry eye disease							2025
	CBT-001	Pterygium							2024
	Hormone nano-suspension eye drops	Ocular inflammation in the ophthalmology sector							2026

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

## August 2021

The Group formed strategic partnership in respect of the equity interests and product with U.S.-based CoRISMA MCS Systems, Inc ("**CoRISMA**") and will acquire approximately 22.2% equity interests in CoRISMA for obtaining relevant interests of a series of CoRISMA's products, the innovative medical device for the treatment of heart failure.

The Group entered into an exclusive licensing agreement with Denmark based ALK-Abelló A/S ("**ALK**") and obtained relevant interests of Jext® pre-filled epinephrine auto-injector, which is developed by ALK for the treatment of anaphylaxis.

The Group entered into a series of investment and strategic cooperation agreements with U.S.-based FastWave Medical Inc. ("**FastWave**") for jointly developing an innovative medical device, intravascular shockwave calcification treatment system, for the treatment of moderate to severe arterial calcification with FastWave, as well as establishing overseas high-end innovative medical devices research and development platform.

## July 2021

The Group entered into an acquisition agreement with Wuhan Sanzhen Industry Holding Co., Ltd, pursuant to which the Group subscribed 10% equity interest in Wuhan Grand Hoyo Company Limited ("**Grand Hoyo**").

OncoSec (NASDAQ: ONCS), a research and development platform of the Group in the field of tumor immunity and DNA technology, entered into a collaboration agreement with Merck (NYSE: MRK) for a pivotal global phase III study of TAVO™ combined with KEYTRUDA® for late-stage metastatic melanoma.

The Group's self-developed generic drug "Tadalafil Tablet" has been granted a drug registration certificate by NMPA.

Telix, the Group's partner in the field of RDC, has successfully dosed the first patient in Phase I clinical study of TLX250-CDx, a global innovative RDC medicine for the treatment of clear cell renal cell carcinoma ("ccRCC"), on its expanding indication, urothelial carcinoma or bladder cancer, in Australia.

Grand Decade Developments Limited ("**Grand Decade**"), a wholly-owned subsidiary of the Company entered into a share subscription agreement with Natixis ("**Natixis**") and Grand Pharma Sphere Pte Ltd. ("**Sirtex HoldCo**"), pursuant to which Grand Decade subscribed for 84,704,650 shares allocated by Sirtex HoldCo. Upon the completion of the transaction, Sirtex HoldCo is owned as to 51.12% by Grand Decade.

## June 2021

The Group reached an exclusive product licensing agreement with Formosa Pharmaceuticals, Inc. ("**Formosa**") for obtaining relevant interests of an improved new drug hormone nanosuspension eye drops ("**APP13007**") for anti-inflammatory and pain relief after ophthalmology surgery developed by Formosa.

TLX591-CDx, the world's innovative RDC for the imaging of prostate cancer, has been successfully dosed the first patient for clinical trials in Japan.

TLX591, a RDC for the treatment of prostate cancer, has been approved in Australia for Phase III clinical trials and has received ethical approval from Human Research Ethics Committee.

## May 2021

The Group entered into a cooperation and exclusive product licensing agreement with U.S.-based Cardio Focus, Inc. (the "**Cardio Focus**") and introduced the new generation HeartLight X3 laser ablation platform of HeartLight® Endoscopic Ablation System, an innovative medical device for the treatment of atrial fibrillation from Cardio Focus.

The Group entered into an equity transfer agreement with Jiangsu Shenming Medical Technology Co., Ltd. ("**Shenming Medical**") and obtained 100% equity interest of Shenming Medical at RMB22.6 million, and thereby obtained all rights of the development and commercialization of the thermosensitive embolic agents for the treatment of liver cancer and the subsequent development of gel products.

A global innovative drug STC3141 for the field of severe infections successfully enrolled the first four patients for the Phase IIa clinical trial in Belgium for the treatment of COVID-19 patients, and successfully achieved continuous dosing.

The core product SIR-Spheres® Y-90 resin microspheres of Sirtex, an associate of the Group, successfully dosed the first patient for a clinical trial of hepatocellular carcinoma in the United States.

## April 2021

A global innovative drug STC3141 has received approval for a Phase IIa clinical trial in Belgium for the treatment of COVID-19.

OncoSec, an associate of the Group, received the CE mark certification from EU for its gene electrotransfer device GenPulse™.

# Corporate Profile

## March 2021

SIR-Spheres® Y-90 resin microspheres have been recommended by National Institute for Health and Care Excellence (NICE) for the treatment of unresectable advanced hepatocellular carcinoma in adults and approved by the FDA to conduct clinical trials on primary liver cancer in order to apply for marketing license of primary liver cancer in the United States.

A global innovative drug STC3141 has been approved by the NMPA to carry out Phase Ib clinical trial for ARDS.

“Bimatoprost Eye Drops”, an innovative ophthalmic solution independently developed by the Group, has been issued a drug registration certificate by NMPA, which is the first approved generic drug in China for this variety.

## February 2021

The Group entered into a share purchase agreement with East Ocean Capital (Hong Kong) Limited, pursuant to which, the Group acquired 752 shares in East Ocean Medical (Hong Kong) Company Limited (“**East Ocean Medical**”), representing approximately 50.13% of its entire issued share capital, at US\$12 million. Upon completion of the share purchase agreement, East Ocean Medical became a wholly owned subsidiary of the Group.

## DEFINITIONS

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

"ALK"	ALK-Abelló A/S
"APERTO OTW"	Paclitaxel Releasing Hemodialysis Shunt Balloon Dilatation Catheter
"APP13007"	Hormone nano-suspension eye drops
"ARDS"	Acute Respiratory Distress Syndrome
"BRIM"	BRIM Biotechnology, Inc.
"Cardio Focus"	Cardio Focus, Inc.
"Cardionovum"	Cardionovum GmbH, an associate of the Group
"ccRCC"	Clear cell renal cell carcinoma
"CDE"	Center for Drug Evaluation, NMPA
"Conavi"	Conavi Medical Inc.
"CoRISMA"	CoRISMA MCS Systems, Inc.
"COVID-19"	2019 novel coronavirus disease
"East Ocean Medical"	East Ocean Medical (Hong Kong) Company Limited



# Corporate Profile

"eTheRNA"	eTheRNA Immunotherapies NV
"FastWave"	FastWave Medical Inc
"FDA"	United States Food and Drug Administration
"Formosa"	Formosa Pharmaceuticals, Inc.
"Grand Decade"	Grand Decade Developments Limited, a wholly-owned subsidiary of the Group
"Grand Hoyo"	Wuhan Grand Hoyo Company Limited
"Grand Pharma (China)"	Grand Pharmaceutical (China) Company Limited*
"Greater China Region"	Mainland China, Hong Kong, Macau and Taiwan region
"IND"	Investigational New Drug
"LEGFLOW OTW"	Paclitaxel Releasing Peripheral Balloon Dilatation Catheter
"mRNA"	messenger RNA
"Natixis"	Natixis, incorporated in France and the liability of its members is limited
"NDA"	New Drug Application
"NMPA"	National Medical Products Administration
"OncoSec"	OncoSec Medical Incorporated
"RDC"	Radionuclide-drug conjugate

\* For identification purpose only

"RESTORE DEB"	Paclitaxel Releasing Coronary Balloon Dilatation Catheter
"Shenming Medical"	Jiangsu Shenming Medical Technology Co., Ltd.
"Sirtex"	Sirtex Medical Pty Ltd, an associate of the Group
"Sirtex HoldCo"	Grand Pharma Sphere Pte Ltd., a company established under the laws of Singapore with limited liability
"TAVO™"	Tavokinogene Telseplasmid
"Tianjin Jingming"	Tianjin Jingming New Technology Development Co., Ltd.
"VSV-GPM"	Vesicular stomatitis oncolytic virus

# Management Discussion and Analysis

## INDUSTRY REVIEW

In the first half of 2021, given that the spread of the 2019 novel coronavirus disease pandemic (“**COVID-19**”) has been under control with the rolling out of COVID-19 vaccine, the global macro-economy and every industry have been gradually recovering. In response, the PRC government has strengthened the construction of public health care system, increased the nucleic acid testing capacity and strongly advocated vaccination, reflecting its great importance to the people’s health and development of medical service. On the other hand, the market mechanism of pharmaceutical industry in China has been further improved by the advancing medical reform in the PRC as well as more attention to the pharmaceutical industry, which has showed huge development potential.

China has the world’s largest population. The huge population and the issue of aging population will continuously increase the demand for medical service. In future, there is plenty of room for the growth of expenditure and market for the medical and health care sector. China’s national residents healthcare expenditure per capita increased from RMB912 in 2013 to RMB1,843 in 2020, representing an increases of more than a double within 7 years, the proportion of which in the total consumption expenditure per capita also increased from 6.9% to 8.7%. Aging population and upgrade in consumption support the rigid demand for the health care industry. Under the backdrop of control on medical insurance fees, the market for traditional generic drugs is under pressure while drug innovation would be the key to successful development in the future.

As such, the Group will closely follow the market trend and seize the market opportunity. By clearly understanding patients’ demand, enriching the inventory of innovative products, accelerating the launch of products, actively complying with market and policy development direction and adhering to the strategy of “global expansion and dual-cycle operation”, the Group will focus on high-quality domestic and overseas innovative products, continuously expand product pipelines and deepen its development in existing sectors. Through a pattern of domestic and international cycles that synergize with each other, the Group is committed to constantly enhancing its core competitiveness and providing returns to its shareholders and community.

## GROUP POSITIONING

China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is an international pharmaceutical company of technological innovation. The core products of the Group cover several major businesses represented by the anti-tumor, cardiovascular emergency pharmaceutical products and advanced cerebro-cardiovascular intervention medical devices, anti-virus and anti-infection, respiratory and ENT, bio-health products and specialized pharmaceutical ingredients. The Group has mainly focused on four business scopes, namely “innovative drugs with high entry barriers”, “branded drugs”, “integration of raw materials”, and “nutrition products”. There are three major segments of global innovation and technology leadership, namely precision interventional diagnosis and treatment, Radionuclide-drug conjugate (“**RDC**”) and immunotherapy, to be carried out with a forward-looking view by the Group. Meanwhile, by fully capitalising “accurate and stable business development capabilities at home and abroad, the introduction and digestion of international leading technologies, excellent marketing and sales capabilities”, the Group is aiming at the frontier areas of technological innovation. With the strategy of “building a wall, deepening exploration, storing reserves” and the vision of internationalization and technological innovation, the Group continues to expand and reach a new business growth point, implementing the innovative strategy of “Missile, Nuclear Bomb and Satellite”, which includes “cerebro-cardiovascular precision interventional diagnosis and treatment”, “anti-tumor” and “anti-virus and anti-infection”. The Group has invested four technology R&D platforms and five R&D centers around the world. The technology R&D platforms consist of the RDC technology platform, DNA R&D technology platform, mRNA R&D technology platform and Glycomics R&D technology platform. The R&D centers include the International R&D Center in Optics Valley in Wuhan as well as four overseas R&D centers (namely San Diego R&D Center — Immunotherapy (DNA Technology) Anti-tumor in the United States, Boston R&D Center — Precision Interventional Anti-tumor in the United States, Belgium R&D Center — mRNA, and Australia R&D Center — Anti-virus and Anti-infection). Upon the principles of meeting the needs of patients, adapting to market development and insisting on technological innovation as well as the development concept of “comprehensive strengths, innovation barriers and global expansion” and the strategy of “dual-wheel driving development of independent R&D, global expansion and dual-cycle operation”, the Group has formed a new pattern of domestic and international cycles that synergize with each other, and is committed to becoming an international pharmaceutical company of technological innovation, delivering on its promises for doctors and patients, and making significant contribution to the society.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Revenue

For the six months ended 30 June 2021 (the “Period” or the “First Half”), the Group recorded revenue of approximately HK\$4,566.53 million, representing an increase of approximately 40.3% as compared to the corresponding period in 2020. The increase in revenue was mainly due to the fact that the Group substantially developed pharmaceutical products with market and technical barrier, exclusive and protected medical products and branded pharmaceutical products, especially in pharmaceutical preparations and medical device segments, which have recorded a significant growth; and that the Group continued to enhance cooperation with major e-commerce platforms to actively expand external market and to facilitate considerable growth in the sales on e-commerce platforms and retail pharmacies. In addition, thanks to the effective control of COVID-19 epidemic by the PRC government, the epidemic caused no impact to the Group’s operation during the Period as compared to the same period of 2020. By virtue of the Group’s further optimized earning structure and the Group’s strategy of deepening innovation and developing barrier pharmaceutical products, the Group continuously promoted the sales of innovative high-barrier and high-margin products. During the Period, the Group’s gross profit margin was approximately 63.3%, which was 0.6 per cent points higher than the gross profit margin of 62.7% for the corresponding period in 2020.

The total profit for the period attributable to owners of the Company for the six month ended 30 June 2021 amounted to approximately HK\$1,202.54 million which including the gain from changes in fair value of investment in Telix amounted to approximately HK\$294.79 million, with a significant increment of approximately 67.4% as compared with the corresponding period in 2020. If disregarding the gain from changes in fair value of investment in Telix, the profit attributable to the owners of the Company for the Period increased by 26.3% as compared to the corresponding period in of last year.

### Pharmaceutical Preparations and Medical Devices

Pharmaceutical products and medical devices are currently the major sources of profit contribution of the Group. Major products include respiratory and ENT medicines, cerebro-cardiovascular emergency medicines and medical devices. For the six months ended 30 June 2021, the revenue from pharmaceutical products and medical devices was approximately RMB2,430.55 million, representing an increase of approximately 27.8% as compared to revenue of approximately RMB1,901.97 million for the corresponding period in 2020, which was mainly due to the increase in the sales of two types of products, namely respiratory and ENT medicines and medical devices and cerebro-cardiovascular medicines and medical devices.

# Management Discussion and Analysis

- ***Respiratory and ENT medicines and devices***

In recent years, the Group has devoted to building the most comprehensive supply chain of respiratory and ENT medicines in the PRC, covering the prescription drugs, over-the-counter drugs, Chinese medicines, medical devices, medical consumables and healthcare products, etc., and providing treatment solutions and care to medical professionals and patients. For the ophthalmic aspect, the Group has multi-channel industrial advantages and strong brand awareness in the market. Taking full advantages of multi-product portfolio, coupled with the promotion strategy on online e-commerce platforms and in out-of-hospital market, the Group's products have rapidly penetrated to the grassroots market and retail terminals and gained widespread recognition among consumers. The Group will gradually launch new products in the future to enhance the competitiveness of the Group in the respiratory and ENT medication field. During the Period, the revenue from respiratory and ENT medicines and devices was approximately RMB1,272.75 million, representing an increase of approximately 22.4% as compared to the corresponding period in 2020, of which:

- Ophthalmic: For the six months ended 30 June 2021, the revenue from ophthalmic products of the Group was approximately RMB480.42 million, representing an increase of approximately 35.8% as compared to approximately RMB353.70 million for the corresponding period in 2020. The core over-the-counter eye drops "Rui Zhu" achieved remarkable results in the vigorous expansion of e-commerce platforms and pharmacy retail. The revenue for the Period was approximately RMB116.57 million, representing an increase of approximately 24.7% as compared to approximately RMB93.46 million for the corresponding period in 2020.
- Respiratory and ENT: For the six months ended 30 June 2021, the revenue from respiratory and ENT products of the Group was approximately RMB792.33 million, representing an increase of approximately 15.4% as compared to approximately RMB686.43 million for the corresponding period in 2020. The major product "Qie Nuo" is an exclusive product of the Group. By virtue of the continuous expansion in grassroots and retail market, during the Period, the revenue from "Qie Nuo" was approximately RMB476.79 million, representing an increase of approximately 2.5% as compared to the corresponding period in 2020. Meanwhile, the revenue from the Jinsang series, which are prescription drugs, has also increased by approximately 53.0% to approximately RMB245.02 million due to the above reasons.

# Management Discussion and Analysis

- ***Cerebro-cardiovascular medicines and medical devices***

The Group's cerebro-cardiovascular emergency products 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 excellent clinical effects of the above products, the persistent recognition of and reliance on the Group's products among medical professionals and patients, and the steady expansion of the Group's hospital coverage networks, for the six months ended 30 June 2021, the revenue from the Group's cerebro-cardiovascular medicines was approximately RMB978.56 million, representing an increase of approximately 47.1% as compared to the corresponding period in 2020. Among which, four core products, namely "Li Shu An", "Nuo Fu Kang", "Xin Wei Ning" and "Rui An Ji", have contributed a revenue of approximately RMB883.83 million in aggregate, representing an increase of approximately 41.9% as compared to the corresponding period in 2020.

## **Bio-technology Products and Health Products**

The bio-technology products and healthcare products of the Group include Taurine, amino acid products, biopesticides, bio-feed additives and steroid products, etc. During the Period, the revenue from bio-technology products and healthcare products was approximately RMB939.98 million, representing an increase of approximately 34.7% as compared to the corresponding period in 2020. By virtue of the business expansion strategy of international business and healthcare business, the revenue from the Group's amino acid products was approximately RMB464.26 million, representing an increase of approximately 61.9% as compared to the corresponding period in 2020, and the revenue from products related to bio-pesticides and bio-feed additives also recorded an increase of approximately 4.7%.

## **Specialized Pharmaceutical Raw Materials and Other Products**

Specialized pharmaceutical ingredients and other products are the relatively stable segment among the product segments of the Group. As an important part of the front end of the integrated supply chain of pharmaceutical ingredients and products, the Group has always been proactively improving technology level and product quality, reforming the product production technology to increase efficiency, and adjusting the product matrix to enhance market competitiveness and improve economic efficiency. During the Period, the relevant revenue of this segment recorded approximately RMB437.38 million, representing an increase of approximately 24.9% as compared to the corresponding period in 2020.

# Management Discussion and Analysis

## Distribution Costs and Administrative Expenses

For the six months ended 30 June 2021, the distribution costs and administrative expenses of the Group were approximately HK\$1,414.79 million and HK\$429.15 million respectively, as compared to approximately HK\$955.52 million and HK\$307.37 million respectively for the corresponding period in 2020. The increase in distribution costs was mainly due to the fact that the market development and team expansion of sales representatives have returned to normal operation during the Period. The distribution costs accounted for approximately 31.0% of the revenue for the Period, which approximated to 29.4% for the corresponding period in 2020. As the Group's business expanded, the overall administrative expenses recorded an increase of approximately 39.6% as compared to the corresponding period in 2020.

## Finance Costs

For the six months ended 30 June 2021, the Group's finance costs amounted to approximately HK\$23.67 million as compared to approximately HK\$58.12 million for the corresponding period in 2020. During the Period, the Group continuously adjusted its loan portfolio, resulting in a decrease of approximately 59.3% in the overall finance costs.

## Research and Development Investment

The Group invested a large amount of funds for the pre-clinical research, clinical trials, listing and registration phases of research projects, which generated a total of HK\$171.37 million in the research and development expenses for the six months ended 30 June 2021. If the advance payment and other contributions for new projects is added, the total investment in research and development and various projects of the Group amounted to over HK\$1.53 billion in the First Half of 2021.

## Receivables and Payables

As at 30 June 2021, the trade and other receivables of the Group amounted to approximately HK\$2,709.55 million, representing an increase of approximately HK\$815.39 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of business scope during this period, resulting in an increase of approximately HK\$812.53 million in the trade receivables.

As at 30 June 2021, the trade and other payables of the Group amounted to approximately HK\$2,997.13 million, representing an increase of approximately HK\$887.58 million as compared to the balance in 2020. The main reason of such increment is mainly due to the increase of business scope during this period, resulting in an increase of approximately HK\$173.37 million in the trade payables. Furthermore, in order to cope with the expansion of business scope, we accrued additional approximately HK\$408.20 million for selling and operating expenses.



# Management Discussion and Analysis

## Research and Development

The Group is one of the earliest domestic pharmaceutical companies that have performed transformation of technological innovation and internationalization, devoting itself to building a system of innovative R&D and outstanding talents. The Group has formed a unique layout and concept of technological innovation and development via active cooperation with the world-leading pharmaceutical companies, universities and scientific research institutions. In line with the strategic concepts of international layout, differentiated innovation and professional development for core therapeutic areas, the Group has formed a product layout which focuses on four major segments, including tumor treatment, cerebro-cardiovascular precision interventional diagnosis, anti-virus and anti-infection and respiratory and ENT. The Group's comprehensive layout in the tumor field reflects the forward-looking, technological and innovative concepts of tumor treatment. On the one hand, it combines traditional radiotherapy with modern technology to develop SIR-Spheres® Y-90 resin microspheres and RDC drugs. On the other hand, it creates new tumor immunotherapy products, such as oncolytic viruses, DNA immunotherapy and mRNA tumor vaccines, etc., to solve the ineffectiveness and drug resistance of tumor immunotherapy. For cerebro-cardiovascular precision interventional diagnosis, the Group is committed to building a world-leading interventional diagnosis platform, covering peripheral vascular disease, neurological intervention, structural cardiac disease, electrophysiology and heart failure and complete the comprehensive layout for 5 core strategic markets. Apart from the field of anti-tumor and cerebro-cardiovascular precision intervention, there are also a number of world's first-in-class products in the two important core therapeutic areas of anti-virus and anti-infection and respiratory and ENT. At present, the Group has sufficient and reasonable R&D pipelines comprised of 115 projects under research and 41 innovative projects, involving in different stages from pre-clinical to new drug application, and thus forming a good echelon effect.

Along with the high-level R&D capability, during the Period, the Group applied for clinical trial for 2 projects and obtained 4 clinical research approvals and 9 manufacturing approvals. Eight innovative projects complete the R&D milestones.

## Innovative R&D Pipeline

- ***Cerebro-cardiovascular Precise Intervention***

In the field of cerebro-cardiovascular precision intervention, the Group has nine innovative products thoroughly covering five strategic directions, including vascular intervention (coronary artery intervention and peripheral vascular intervention), neurological intervention, structural cardiac disease, electrophysiology and heart failure. Among which, two products for coronary artery and shunt restenosis in arteriovenous fistulas were approved to launch and other products are underway orderly.

## Management Discussion and Analysis

In the fields of vascular intervention, the Group has three drug-coating balloon products and one shock wave therapy system against vascular calcification. 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 October 2019. 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. This product has the dual characteristics of high pressure resistance and drug coating. Compared with ordinary high pressure balloon, APERTO OTW has an obvious advantage in the patency rate of target lesions at six months after surgery. It is a revolutionary product by making a significant contribution to extend the lifetime of fistula and improve the quality of life of dialysis patients. Post-marketing clinical study for these two products, which have been launched, commenced successfully. 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. In the field of vascular calcification treatment, the Group has been developing a shock wave therapy system, which is an innovative medical device for the treatment of moderate or severe arterial calcification. It is expected to be a new treatment method for calcified lesions, which destroys superficial and deep calcification in affected areas by shock wave without causing soft issue injuries in the inside of blood vessel and vascular intima.

In the field of vascular intervention, the Group also reserved a coronary diagnosis product NOVASIGHT Hybrid, which combines intravascular ultrasound/optical coherence tomography and can simultaneously show the ultrasound and optical image with the same direction, axis and phase. It is also the first intravascular ultrasound/optical coherence tomography system approved by the Food and Drug Administration of the United States (“FDA”) with promising prospect in the field of coronary artery imaging and intracavitary interventional surgery. This product has already been launched in the United States, Canada and Japan, and was enrolled in the special review approval process of innovative medical device in 2019 for registration in China. Currently, the product has entered into the clinical stage and is expected to obtain the approval for launch from the PRC in 2022.

# Management Discussion and Analysis

In the field of neurointervention, the Group has a stent retriever product against ischemic stroke, LONG. With reference of mature interventional technology and stent of coronary and peripheral, neurological stent retriever can extend an ischemic stroke patient's treatment window from 6 hours to 24 hours of drug treatment, becoming a new clinical method for treating cerebral stroke. Such product is a critical step for the achievement of the Group's target of "treating the heart and brain with the same therapeutic method". Currently, the product is in the pre-clinical research stage and is expected to enter into clinical stage in 2021 and it is anticipated to obtain the approval for launch from the PRC in 2024.

In terms of structural cardiac disease, the Group has a 3D intracardiac echocardiography product, FORESIGHT ICE, which can offer an immediate and direct intracaval imaging information with high precision. It can make significant contribution in radiofrequency ablation or preoperative diagnosis and intraoperative guidance of structural heart disease. This product obtained approval for commercialization in United States and Canada, and it is actively prepared for the clinical registration works in China.

In the field of electrophysiology, the Group has HeartLight X3 laser ablation platform, an innovative medical device for the treatment of atrial fibrillation. It is the latest generation of atrial fibrillation ablation platform equipped with the point-to-point adjustable energy precise ablation characteristics of traditional radiofrequency catheter ablation, and at the same time having the characteristics of simple operation and short procedure time of cryoablation, while greatly reducing the dependence on the operator. HeartLight X3 has been approved for commercialization in the United States in May 2020. It is the only product in the world that can achieve circumferential ablation by laser in the treatment of atrial fibrillation. The preparation for launching the project in the PRC is underway.

In the field of heart failure, the Group will work with a professional company incubated by Yale University to develop a transcatheter implantation medical device for patients with stage three and final stage of heart failure, which is powered with the world advanced wireless energy transmission technology to provide, through minimally invasive surgery, less traumatic, highly safe and less postoperative complications treatment without exposure to infection from power cord. Currently, the product is under development stage.

# Management Discussion and Analysis

- **Anti-tumor**

In the field of tumor treatment, the Group mainly focuses on nuclear medicine and immunotherapy. Through the product portfolio, the Group expands into internal medicine, surgery, interventional medicine, nuclear medicine and other departments to form a multi-disciplinary synergy so that tumor treatment products can serve patients in different areas and departments.

SIR-Spheres® Y-90 resin microspheres, the Group's main product in the field of tumor treatment for malignant liver tumors and are the first radioactive microspheres product formally approved by the FDA. It has been used by over 100,000 people in 50 countries and regions around the world and has been included in the National Comprehensive Cancer Network (NCCN), the European Society for Medical Oncology (ESMO) and other authoritative treatment guidelines as well as several authoritative clinical practice guidelines for liver cancer at home and abroad. The registration of SIR-Spheres® Y-90 resin microspheres in the PRC is smoothly underway, and officially accepted by the NMPA for NDA in November 2020. It is expected that the product will be approved for launch at the end of 2021 in the PRC. During the Reported Period, outstanding progress was achieved in overseas R&D and market exploration. In March 2021, SIR-Spheres® Y-90 resin microspheres were recommended by National Institute for Health and Care Excellence (NICE). In the same month, the FDA in the United States approved to conduct clinical trials of SIR-Spheres® Y-90 resin microspheres on primary liver cancer (HCC) and the first patient was dosed in May.

In order to enrich our product portfolio in tumor intervention area, in May 2021, the Group acquired Jiangsu Shenming Medical Technology Co., Ltd. ("**Shenming Medical**") and obtained thermosensitive embolic agents for the treatment of liver cancer, which is a tumor treatment product that has been granted innovative medical devices by NMPA in the PRC. At room temperature, the gel has good fluidity. After being delivered to the blood vessels of the diseased tissue through the microcatheter, the gel forms in-situ gel from the peripheral blood vessel to the main supply vessel at body temperature, realizing the embolization of the blood vessel in diseased tissue. It is suitable for embolic treatment of various hypervascular parenchymal organs tumors, especially for the liver hypervascular benign, moderate and malignant tumors. Due to the drug-loading characteristic of this product, it will be possible to jointly launch a new combination product with SIR-Spheres® Y-90 resin microspheres in the future to expand the scope of application of single product. Currently, the preclinical development is underway.

# Management Discussion and Analysis

In the field of RDC, the Group has carried out in-depth layout. RDC is a unique and innovative field that has developed rapidly in recent years. Molecular probes and radionuclides are coupled through coupling agents to target tumor cells. This is the first time that radionuclides have reached a molecular level of diagnostic and therapeutic technology, which in turn could realize the clinical integration of diagnosis and treatments. The Group has obtained the rights of 6 RDC products from Telix, during such period, significant progress has been achieved for various products. In June this year, first patient was dosed with TLX591-CDx in Japan and TLX591 was approved for phase III clinical trials in Australia; in July this year, first patient with the expanding indication bladder cancer was dosed with TLX250-CDx in Australia. The preparation work for introducing 6 products to China is progressing smoothly. Telix TLX591-CDx, a product designed for diagnostics of prostate cancer, is in late stage of FDA's review and is expected to be launched within this year. Also, launching application for the product has been filed in 17 countries.

The world's first gene immunotherapy product OncoSec TAVO™, applies electroporation delivery system to inject DNA-based interleukin-12 ("IL-12"). IL-12 has immune stimulation to turn the immunologically cold tumors (non-responding) into hot tumors (responding). TAVO™ was granted Fast Track designation by the FDA in the United States in 2017 and as an orphan drug for the treatment of unresectable metastatic melanoma. Currently, a registration-enabled phase IIb clinical trial for the treatment of anti-PD-1 checkpoint resistant metastatic melanoma in form of combination with anti-PD-1 drug KEYTRUDA® (Generic name: pembrolizumab) is progressing smoothly and is expected to complete at the end of the year. In April this year, OncoSec received the CE mark certification from EU for its gene electrotransfer device GenPulse™; in July this year, OncoSec entered into a collaboration agreement with Merck (known as MSD outside the United States and Canada) (NYSE: MRK) for a pivotal global phase III study of TAVO™ combined with KEYTRUDA® for late-stage metastatic melanoma. Clinical studies on indications such as TAVO™ against triple-negative breast cancer and squamous cell carcinoma is undergoing steadily.

During the Period, the incorporation of AuroRNA Biotech, a joint venture company, by the Group and eTheRNA, was completed. AuroRNA Biotech has R&D and production platforms with advanced mRNA technology and LNP technology for tumor immunotherapy as well as research, development and production of mRNA vaccine for infectious disease. AuroRNA Biotech has a global innovative mRNA product for HPV-positive head and neck cancer. By triggering an adoptive immune response in the body, it can be used in combination with existing tumor immune checkpoint inhibitor to effectively increase the response rate of patients with cancer and improve their clinical prognosis. The product is currently in the pre-clinical development stage.

# Management Discussion and Analysis

In the tumor immunity field, the Group also has a worldwide innovative Vesicular Stomatitis Oncolytic Virus product (VSV-GPM) REV-001 for the treatment of colorectal cancer. This product is the only oncolytic virus that does not insert exogenous genes, where the genetically modified virus enhances the selectivity of tumor cells, but is less toxic to normal cells. In addition, the virus genes will not be integrated into the human cell genomes and has no risk of genotoxicity with higher safety. REV-001 targets the RAS protein of refractory tumors. Refractory tumors with this target have high incidence rate, high malignancy and high fatality rate. Currently, there is no effective treatment method for the targeted refractory tumors. The product is currently in the pre-clinical development stage.

- ***Anti-virus and Anti-infection***

For the anti-virus and anti-infection field, based on the in-depth exploration of unsatisfied clinical needs, the Group has forward-looking layout in respect of sepsis, ARDS, COVID-19 and other diseases that pose a major threat to human health and currently has three global innovative drugs with new mechanisms of action in the research pipeline.

The clinical progress of STC3141, a world-wide innovative drug for the treatment of sepsis, was rapid. The phase II clinical research, for the treatment of ARDS caused by COVID-19 infection and phase Ib clinical research for the treatment of sepsis were approved to commence in Australia in May 2020 and first patient was dosed in December 2020; in April 2021, the phase IIa clinical trial for treatment of severe COVID-19 patients was approved in Belgium and the first patients was dosed in May. As for the progress of this project in the PRC, approval from NMPA in the PRC to commence phase Ib clinical trial for treatment of ARDS patients was obtained in March 2021, and such clinical trial is about to begin.

APAD, another drug of the Group for the treatment of sepsis, has undergone compound screening and is in the pre-clinical development stage currently. APAD can antagonize a variety of pathogen-related molecules, and can treat sepsis caused by bacterial and viral infections. It is complementary to the STC3141 on antagonizing the excessive immune response of the body to treat sepsis, which brings along with synergy for the treatment of severe sepsis patients.

A global innovative small molecule compound based on protein structure design with a clear mechanism of action is jointly developing by the Group and Griffith University in Australia, which is currently in the stage of compound screening.

# Management Discussion and Analysis

- ***Respiratory and ENT***

Respiratory and ENT are the traditional fields of strength of the Group. In order to further strengthen the innovation reserve in this field, consolidate its dominant position in the market and enhance its competitiveness, the Group has deployed four innovative drugs in this field.

BRM421 is small molecule peptide eye drops for the treatment of dry eye disease that can accelerate the division and proliferation of limbal stem cells, and in turn stimulate the repair of ocular surface for curing the dry eye disease. Compared to the therapeutic products for dry eye disease that are currently available in overseas market and are expected to be launched in China in the coming years such as cyclosporine eye drops, the BRM421 product, according to the Phase II clinical study data completed in the United States, has high safety and low irritation, as well as the potential to quickly alleviate the symptoms of dry eye disease within two weeks. Currently, the product is under steady progress of registration in the PRC.

The CBT-001 product for the treatment of pterygium, is an innovative and improvement from an existing drug, Nintedanib, which is used for the treatment of pulmonary fibrosis. It inhibits neovascularization and tissue fibrosis. Currently, phase II clinical trial has been completed in the United States. The global phase III clinical trial for CBT-001 will commence in the second half of 2021 and its IND work is undergoing steadily in the PRC.

Ryaltris is a new type of glucocorticoid and antihistamine compound nasal spray for the treatment of seasonal allergic rhinitis. Currently, the product has been launched in Australia, Russia and Europe. Its listing application has been filed and under examination in the United States and Europe and the investigational new drug application ("**IND**") for import registration in the PRC is also under preparation.

In addition, the Group obtained the exclusive development and commercialization rights of an improved new drug hormone nano-suspension eye drops ("**APP13007**") for anti-inflammatory and pain relief after ophthalmology surgery, which is a potent glucocorticoid developed by Formosa, Inc. APP13007 has efficient local anti-inflammatory and strong capillary contraction effect and uses a unique nano-preparation technique to eliminate the risk of low bioavailability and safety due to the low water solubility of hormones products. The completed phase II clinical trial in the United States has shown that the product has good effectiveness and safety at lower concentrations. Currently, the commercialization process in the PRC is underway.

# Management Discussion and Analysis

## R&D Team

The sea admits hundreds of rivers for its capacity to hold. The Group conducts global R&D with an active and open mind and has achieved initial results. The Group has invested four technology R&D platforms and five R&D centers around the world. The technology R&D platforms consist of the RDC technology platform, DNA R&D technology platform, mRNA R&D technology platform and Glycomics R&D technology platform. The R&D centers include the International R&D Center in Optics Valley in Wuhan as well as four overseas R&D centers (namely San Diego R&D Center — Immunotherapy (DNA Technology) Anti-tumor in the United States, Boston R&D Center — Precision Interventional Anti-tumor in the United States, Belgium R&D center — mRNA, and Australia R&D Center — Anti-virus and Anti-infection). The project for International R&D Center in Optics Valley in Wuhan started in April 2020. After more than a year preparation and construction, the phase 1 construction work was completed in July this year and put into use. Currently, the Group and its associates have 610 R&D personnel in total (including overseas R&D teams such as Sirtex and OncoSec), representing an increase of 27% as compared to corresponding period 2020, among which, 403 persons hold master's or doctorate degrees, accounting for nearly 70%. We also reserved over 30 world-wide famous scientists. 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.

## Development of generic drug

During the Period, NMPA issued drug registration certificate for Bimatoprost Eye Drops and Tadalafil Tablets, of which Bimatoprost Eye Drops is the first approved generic drug in that category in China for this variety.

## Consistency Evaluation

During the Period, indapamide tablets and metoprolol tartrate tablets have been approved to pass or deemed to pass the consistency evaluation. As of now, a total of eight products of the Group have been approved to pass the consistency evaluation (sodium bicarbonate tablets, metronidazole tablets, trimetazidine tablets, glipizide tablets, finasteride tablets, captopril tablets, indapamide tablets and metoprolol tartrate tablets), among which, seven products (sodium bicarbonate tablets, metronidazole tablets, trimetazidine tablets, glipizide tablets, finasteride tablets, captopril tablets and metoprolol tartrate tablets) have won the bid for the national centralized procurement of medicines; while seven other products are under evaluation (lafutidine tablets, fluorouracil injection, norepinephrine bitartrate injection, adrenaline hydrochloride injection, tirofiban hydrochloride and sodium chloride injection, nimesulide tablets and pre-filled adrenaline hydrochloride injection).



# Management Discussion and Analysis

## Intellectual Property Protection

During the Reviewed Period, the number of the Group's core patents increased to 24, together with 13 new peripheral patents and 45 authorized invention patents. In order to strengthen brand development, there were 12 new design patents. Currently, the Group has filed for 768 patents in the PRC and obtained 357 valid patents. 11 patents have been filed under PCT.

For innovative drugs, application for a new core PCT patent for the STC3141 has been filed and it is planned to be commercialized in 13 countries or regions including the PRC, the United States, Europe and Eurasia. Currently, 3 core patents for the project of STC3141 have been filed under PCT and core patents for the project of parainfluenza drug was obtained in 2 countries, namely the PRC and Russia. Application for core patent protection for mRNA platform A002 is undergoing in the PRC and application for 2 patents has been filed under PCT. It is planned to be commercialize in 10 countries or regions including the PRC. The platform technology of hormone eye drops has been protected by patent in the PRC. Application for 2 new patents for drug coating balloon series product has been filed and 2 authorized patents have been obtained.

## Material investment, M&A and Cooperation

During the Period, 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. As of the date of this report, the Group has carried out the following material investment, M&A and cooperation:

- ***Acquisition of East Ocean Medical***

In February 2021, the Group entered into a share purchase agreement with East Ocean Capital (Hong Kong) Limited, pursuant to which, the Group acquired 752 shares in East Ocean Medical (Hong Kong) Company Limited ("**East Ocean Medical**") at USD 12 million, representing approximately 50.13% of its entire issued share capital. Upon completion of the share purchase agreement, East Ocean Medical will become a wholly owned subsidiary of the Group. The principal assets of East Ocean Medical are the equity investment in Conavi and the 20 years exclusive distribution rights for products such as "Novasight Hybrid" series and "Foresight ICE" series in the PRC, Hong Kong, Macau and Taiwan regions. The acquisition of East Ocean Medical also aligns with the Group's plan to build up a global leading "pan-vascular interventional diagnostic and therapeutic platform" and allow the Group to achieve diagnostic and therapeutic integration in the field of precise intervention.

# Management Discussion and Analysis

- ***Acquisition of Shenming Medical and obtaining all development and commercialization rights of an innovative thermosensitive embolic agent***

In May 2021, the Group entered into an equity transfer agreement with Jiangsu Shenming Medical Technology Co., Ltd. ("**Shenming Medical**"). The Group will invest RMB22.6 million and obtain 100% equity interest of Shenming Medical after relevant conditions are fulfilled, and will thereby obtain all rights of the development and commercialization of the thermosensitive embolic agents for the treatment of liver cancer and the subsequent development of gel products developed by Shenming Medical. The thermosensitive embolic agent product of Shenming Medical is a tumor treatment product that has been granted innovative medical devices by the NMPA. Such investment will further improve the Group's strategic plan in the field of tumor intervention. The development experience and market resources of various tumor treatment products can form a significant synergistic effect. Due to the drug-loading characteristic of this product, it will be possible to jointly launch a new combination product with SIR-Spheres® Y-90 resin microspheres in the future to expand the scope of application of single product and extend the product life cycle.

- ***Exclusive commercialization rights of the new generation innovative medical device, HeartLight X3 laser ablation platform***

In May 2021, the Group entered into a cooperation and exclusive product licensing agreement with Cardio Focus, Inc. (the "**Cardio Focus**"). The Group will introduce the new generation HeartLight X3 laser ablation platform of HeartLight® Endoscopic Ablation System, an innovative medical device for the treatment of atrial fibrillation from Cardio Focus with a milestone payment of not more than USD20 million and a certain percentage of sales commission to obtain the exclusive commercialization rights and conditional transfer of the core technology in mainland China, Hong Kong and Macau, and the priority cooperation rights of other products of Cardio Focus in the licensed region. HeartLight X3 is another global innovative product introduced by the Group in the field of cerebro-cardiovascular precision intervention and is an important strategic plan of the Group in building a world-leading cerebro-cardiovascular precision interventional diagnosis and treatment platform.

# Management Discussion and Analysis

- ***Exclusive development and commercialization rights of an improved new drug hormone nano-suspension eye drops for anti-inflammatory and pain relief after ophthalmology surgery***

In June 2021, the Group reached an exclusive product licensing agreement with Formosa Pharmaceuticals, Inc. ("**Formosa**"). The Group obtained the exclusive development and commercialization rights of APP13007 for anti-inflammatory and pain relief after ophthalmology surgery developed by Formosa in Mainland China, Hong Kong and Macau, with a milestone payment of not more than USD9.5 million and a certain percentage of sales commissions. The cooperation with Formosa this time has not only introduced a product for the treatment of ocular inflammation in the ophthalmology sector, but also further enriched the product pipeline of high-barrier drugs in the ophthalmology sector, providing strategic reserves for the Group's medium and long-term development.

- ***Increase in shareholding in Sirtex HoldCo***

In July 2021, Grand Decade Developments Limited ("**Grand Decade**"), a wholly-owned subsidiary of the Company entered into a share subscription agreement with Natixis ("**Natixis**") and Grand Pharma Sphere Pte Ltd. ("**Sirtex HoldCo**"), pursuant to which Grand Decade subscribed for 84,704,650 shares allocated by Sirtex HoldCo (representing 8.00% of the issued capital of Sirtex HoldCo enlarged upon the completion of the transaction) for a consideration of USD100 million. Upon the completion of the transaction, Sirtex HoldCo is owned as to 51.12% by Grand Decade. Sirtex, a wholly-owned subsidiary of Sirtex HoldCo, is a global life-sciences company established in Australia with headquarter in Boston, United States, that generates revenue through the sale of SIR-Spheres® Y-90 resin microspheres, a targeted radiation therapy for late stage liver cancer. With this share subscription, the net liabilities of Sirtex will decrease and the Group will continue to grow Sirtex's existing global business and fully utilise its great potential of SIR-Spheres® Y-90 resin microspheres in China.

- ***Acquisition of shares in Wuhan Grand Hoyo Company Limited***

In July 2021, the Group entered into an acquisition agreement with Wuhan Sanzhen Industry Holding Co., Ltd, pursuant to which the Group subscribed 10% equity interest in Wuhan Grand Hoyo Company Limited ("**Grand Hoyo**") at an aggregate consideration of RMB51.98 million. Since the Group's acquisition of 90% stake in Grand Hoyo, Grand Hoyo has shown healthy growth with promising prospect. The acquisition will allow the Group to increase its shareholding and consolidate control in Grand Hoyo, with an aim to become one of the most competitive manufacturers of amino acids in the PRC.

- ***Joint development of a global innovative intravascular shock wave calcification treatment system and establishment of overseas R&D platform in the field of cerebro-cardiovascular precision interventional devices with FastWave***

In August 2021, the Group and FastWave Medical Inc (“**FastWave**”) has entered into a series of investment and strategic cooperation agreements. Among which, the Group will acquire 100% equity interests in FastWave with up to total USD72 million by phases, and will invest up to total USD8 million for supporting and jointly developing an innovative medical device, intravascular shockwave calcification treatment system, for the treatment of moderate to severe arterial calcification. The product has low difficulty in use, short learning curve, and high application versatility, therefore it is expected to be a new treatment method for calcified lesions. In addition, it is expected that FastWave will become the Group’s wholly owned subsidiary in the field of cerebro-cardiovascular precision interventional devices, and overseas high-end innovative medical devices R&D platform.

- ***Introduction of Jext® pre-filled epinephrine auto-injector from ALK***

In August 2021, the Group entered into an exclusive licensing agreement with Denmark based ALK-Abelló A/S (“**ALK**”). The Group has obtained long-term exclusive commercialization rights of Jext® pre-filled epinephrine auto-injector, which is developed by ALK for the treatment of anaphylaxis, in Mainland China, Macau and Taiwan with total down-payment and milestone payment of EUR12 million. Introduction of such product will fill the gap in the domestic market, can achieve rapid treatment for patients with anaphylaxis, and will provide strategic reserves for the Group’s medium and long-term development.

# Management Discussion and Analysis

- ***Introduction of a world innovative system for the treatment of heart failure from CoRISMA***

In August 2021, the Group formed strategic partnership in respect of the equity interests and product with U.S. based CoRISMA MCS Systems, Inc ("**CoRISMA**"). The Group will acquire approximately 22.2% equity interests in CoRISMA at a consideration of US\$12 million. Subsequently, the Group will make further investment to obtain the exclusive development, manufacturing and commercialization rights of a series of CoRISMA's products, the innovative medical device for the treatment of heart failure, in Greater China Region (including Mainland China, Hong Kong, Macau and Taiwan) and various countries and regions in Southeast Asia (collectively, "**Authorized Regions**"), and facilitate the launch of relevant products in Authorized Regions. CoRISMA, founded in 2018, is an innovative medical device company that incubated by the Bonde Artificial Heart Laboratory at Yale University, is focused on the development of global innovative medical devices for patients with severe heart failure. Certain equity interests of CoRISMA are held by the Yale University. The joint founder of CoRISMA, Professor Pramod Bonde, is a cardiac surgeon of Yale New Haven Hospital and is leading researcher in the field treatment of heart failure. The transaction will also enhance the cooperation between the Group and worldwide leading education institutions like Yale University.

Other than stated above, the Group did not have other material acquisition or disposal during the Period.

## 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, and annual result announcement, 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 development of the Group to shareholders and investors.

In the meantime, the Group 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 condition, development and business of overseas group members through different media channels, with an aim to establish an open, two-way, transparent and sincere communication platform, so that investors can immediately understand the business status and prospects of the Group. During the Period, the Group actively communicated with the capital markets and investors through new product briefings, results presentations and corporate days, and participated in several summits, forums, conferences and roadshows held by large investment banks and securities companies, which attracted nearly a hundred of institutional investors and analysts. Through communication with investors, the Group hopes to listen to more valuable opinions and extensively collect feedback from investors by establishing an active and efficient information and communication mechanism, so as to further enhance its corporate governance.

The Group's investor relations management helps to establish a high-quality corporate image and convey the core strategy of technological innovation. It has been highly recognized in the industry in many aspects. The Group won the award of the Golden Hong Kong Stock "Best Pharmaceutical and Medical Company" of 2020 (2020金港股「最佳醫藥及醫療公司」) in January 2021 and the Company was included in the Hang Seng Composite Midcap Index in February 2021.

# Management Discussion and Analysis

## PROSPECTS

In the First Half, the global pandemic rebounded again and the pandemic situation remained severe. The pandemic is far from over and remains a global challenge. The return of the epidemic in China has become the main theme. Medical institutions have gradually resumed normal operation, and the number of diagnosis and treatment activities has increased significantly. In the First Half, the medical services gradually recovered under the impact of the epidemic, and the recovery trend of the pharmaceutical segment gradually emerged. With the effective control of the epidemic in China, the Group accelerated its production and operation in the First Half while continuing to deploy global innovative products and advanced technologies, deeply expanding the application scope and R & D progress of products in the fields of tumor immunotherapy and precision therapy, and continuously consolidating its leading position in the industry with its advantages.

### **Continuous deployment of radionuclide products and coming into harvest period for innovative products**

In recent years, the PRC's pharmaceutical industry has ushered in a series of major changes with the important impacts, including the rapid development of generic drugs, the overall significant decrease in pharmaceutical prices, new drug medical reform policies, etc. Satisfying the huge clinical demands of clinical and patients remains the driving force for the industry to accelerate innovation. In recent years, despite the rapid development of biomedicine in China, other countries in Europe and the United States are still at the forefront of the world in terms of innovative drugs. Based on global development, the Group continued to strengthen external mergers and acquisitions, rapidly introduced high-barrier innovative products from international market, and provided more advanced medical solutions for patients. Leveraging on the global innovative product screening capability, the precise and powerful expansion capability of business in the PRC and overseas and the ability to introduce and apply world-leading technologies, the Group rapidly and deeply laid out the industrial chain of radionuclide drugs, and linked up the industrial chain segments for radionuclide drugs such as regulation, registration, R&D, raw materials, transportation and hospitalization, laying a solid foundation for the launch of the Group's radionuclide drug SIR-Spheres® Y-90 resin microspheres and 6 RDCs.

## Management Discussion and Analysis

As the first radioactive microsphere officially approved by the FDA in the world, SIR-Spheres® Y-90 resin microsphere was approved by the NMPA in August last year to apply for launch based on the clinical trial data obtained overseas. The application for launch was accepted in November last year. It is expected that such products will be approved for launch in China by the end of this year or early next year. In the First Half of 2021, the clinical trials of the products and its expanded indications also achieved breakthroughs globally. SIR-Spheres® Y-90 resin microsphere is a radioactive microspheres product for malignant liver tumors. With its remarkable clinical efficacy, SIR-Spheres® Y-90 resin microsphere was recommended for treatment of hepatic malignant tumors by many authoritative guidelines, including National Comprehensive Cancer Network (NCCN) and European Society for Medical Oncology (ESMO). It is also covered by medical insurance in places such as the United States and Europe. In addition, it is included in the Guidelines for Diagnosis and Treatment of Primary Liver Cancer in China (2019 edition) and Chinese Guidelines for the Diagnosis and Comprehensive Treatment of Colorectal Cancer Liver Metastasis (2018 edition), delineating clear clinical demands. Recently, National Institute for Health and Care Excellence (NICE) recommends the use of SIR-Spheres® Y-90 resin microspheres, which is an important decision-making basis for bringing products into their own medical insurance reimbursement. In the United States, the first patient with primary liver cancer was dosed with SIR-Spheres® Y-90 resin microspheres in the clinical trial, which is another milestone of the products following the treatment for metastatic colorectal cancer (mCRC), and is expected to benefit more patients with malignant liver tumors. For RDC products, the first patient with indication of clear cell renal cell carcinoma (ccRCC) recently has been dosed with TLX250-CDx, a global innovative RDC drug for the diagnosis of clear cell renal cell carcinoma, in the phase I clinical trial in Australia; TLX591-CDx, a product designed for diagnostics of prostate cancer, is in late stage of FDA's review and is expected to be launched within this year. Also, launching application for the product has been filed in 17 countries; TLX591, a RDC drug for the treatment of prostate cancer, was approved to conduct a phase III clinical trial in Australia and received ethical approval from the Human Research Ethics Committee. It is expected that the Group's RDC products will have a milestone progress this year.



# Management Discussion and Analysis

## Broad pipeline of high-end medical device product and promising industry prospect

Under the new healthcare infrastructure, the medical device industry in the PRC will remain prosperous, and medical device products with clinical value will be more favored under the background of the reform of domestic procurement and payment policies. As for the medical device market in the PRC, it is still at a rapid development stage as compared with other countries in the world, and the market size of the PRC medical device in 2020 was approximately RMB734.1 billion, representing a year-on-year increase of 18.3%. Considering that the current consumption proportion of medical devices and drugs in the PRC remains low and there is huge room for development in the future, it is expected that the market value will exceed RMB1 trillion in 2023. The Group explores high-quality innovation projects worldwide to expand its own product pipeline and improve the comprehensive strength of the Group, of which the layout of global innovative high-end medical devices is one of the key directions of the Group in the innovation field.

In the field of cerebro-cardiovascular precision interventional therapy, the Group's two blockbuster drug coating balloon products, i.e. RESTORE and APERTO, have been successfully commercialized, and the market share of these two products increased significantly in the First Half with significant profit contribution. The introduction of favorable policies for innovative medical device in the First Half will further increase the demand for medical device from medical and health institutions in China. The Group fully leveraged the current trend of consolidation within the industry to accelerate the global merger and acquisition of innovative products in the field of high-end medical device product. The Group made great achievements in the field of high-end medical device by comprehensively deploying in five strategic areas, i.e. vascular intervention, neurointervention, structural cardiac disease, electrophysiology and heart failure. The Group continued to expand its high-end medical device product pipeline in the field of cerebro-cardiovascular precision interventional therapy, and acquired the new generation of HeartLight X3 laser ablation platform from Cardio Focus. The product was approved by FDA for listing last year. It is the only product in the world that can achieve circumferential ablation by laser in the treatment of atrial fibrillation. Also, the Group acquired the global innovative intravascular shock wave calcification treatment system from FastWave, which is expected to be a new treatment method for calcified lesions; as well as a series of CoRISMA's products, the innovative medical device for the treatment of heart failure, from U.S. based CoRISMA, which is a less traumatic, highly safe and less postoperative complications treatment without exposure to infection from power cord for patients with stage three and final stage of heart failure. Such three products from HeartLight X3, Fastwave and CoRISMA are important global innovative products introduced by the Group in the field of cerebro-cardiovascular precision

intervention, following the drug-coating balloon that specializes in vascular intervention, neuro-interventional stent retriever, and intravascular and cardiac diagnostic equipment, which substantially enriches the Group's product pipeline in the field of cerebro-cardiovascular precision intervention. Meanwhile, it is an important strategic plan of the Group in building a world-leading cerebro-cardiovascular precision interventional diagnosis and treatment platform. In addition, the Group also obtained all of the development and commercialization rights of the thermosensitive embolic agents for the treatment of liver cancer and the interests in subsequent development of gel products. The thermosensitive embolic agent product of the Group is a tumor treatment product that has been granted innovative medical device by the NMPA. The combination of drug loading capacity and embolization can make up for the defects in existing TACE treatment method. In addition, due to the drug loading characteristic of this product, it will be possible to jointly launch a new combination product with SIR-Spheres® Y-90 resin microspheres in the future to expand the scope of application of single product and extend the product life cycle.

## **Clear demand for anti-viral products amid the pandemic and well-prepared innovative product reserve**

With the global spread of the novel coronavirus epidemic, the increase in the number of patients and public awareness of prevention, the clinical demand for anti-viral drugs has grown rapidly. It is expected that the market size will grow at a CAGR of 7.6% in the next five years, and is expected to exceed RMB59.5 billion in 2024. The expansion in demand has led to the rapid development of anti-infective drug industry in the PRC. However, as the research and development level of anti-viral drugs in China is currently lagging behind the international leading drug companies, there is a lack of drugs that are clinically effective in treating viral diseases. It is expected that there is a huge room for future development in this field.

# Management Discussion and Analysis

In the field of anti-virus and anti-infection, the Group has deployed STC3141, an innovative drug for the treatment of severe sepsis and ARDS, APAD and an innovative drug against parainfluenza, of which the R&D of STC3141 has made significant progress. The product has been approved by the NMPA to conduct phase Ib clinical trial among patients with ARDS and was approved to conduct phase IIa clinical trial for COVID-19 and successfully dosed the patient in Belgium. This dosing was designed to study and evaluate the safety, efficacy and optimal dosing strategy in patients with severe viral pneumonia caused by COVID-19 infection. The researchers believe that the clinical manifestations of severe COVID-19 patients meet the diagnosis standards of sepsis or septic shock. Effective anti-viral treatment, measures to adjust inherent immune response and rebuild adaptive immune response may help break the vicious cycle and are the keys to improving prognosis for severe COVID-19 patients. The Group's two global innovative products for sepsis are developed from related molecules of antagonizing collective and excessive immune response and antagonizing various pathogen respectively, which created synergy from the mechanism of action in the treatment of sepsis. Sepsis poses a huge threat to human health and is a huge medical burden, but currently there is no specific commercialized drug, indicating an urgent demand in the market and a promising market prospect.

## Update on Significant Matters

With reference to the disclosure in the 2016, 2017, 2018, 2019 and 2020 annual reports of the Company, Tianjin Jingming New Technology Development Co., Ltd. (the **"Tianjin Jingming"**), an indirect non-wholly owned subsidiary of the Company, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible losses. Up to 30 June 2021, the court has concluded 55 cases, and Tianjin Jingming has appealed 6 cases against the judgement of first instance with aggregate compensation of approximately RMB5.14 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB27.50 million in according to the court order. The other related litigations of the product quality incident have not yet been concluded. 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 Pharm (China) had claimed the original shareholders of the Tianjin Jingming for the indemnification of those possible losses. According to the final judgment by the court, the original shareholders of Tianjin Jingming should compensate us

approximately RMB8.09 million as the existing compensation and liquidated damages at the point of raising litigation. As the execution of the enforcement order from the people's court, Grand Pharm (China) has got properties and cash of approximately RMB6.60 million in aggregate from the original shareholders of the Tianjin Jingming, and the outstanding amount is still under enforcement processes. Also Grand Pharm (China) also has raised second litigation claiming the original shareholders of the Tianjin Jingming for the losses of approximately RMB19 million from the indemnification made before 7 March 2021 related to such product quality incident made by Tianjin Jingming, and is under hearing processes at the people's court. Hence, the Directors are of the view that the said incident and the related litigations do not have material impact to 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 (the "**Actual Profit**") from domestic sales (only include the net profit generated from domestic sales and shall not include the profit generated from the sales of irrigating solutions (灌注液)) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 should not be less than RMB5 million (the "**Performance Guarantee**"). If the above Performance Guarantee cannot be met, the Group can claim for a refund of part of the consideration according to the formula set out in the announcement of the Company dated 22 December 2014. The Group was in a litigation against those vendors in relation to the said Performance Guarantee, and after the first trial, second trial and retrial at the court, the court granted the final judgement in December 2020. It is concluded that the Group can get back the RMB10 million share transfer consideration currently deposited in the bank account jointly controlled by the Group and the vendors. The vendors should also additionally refund approximately RMB11.2 million share transfer consideration to the Group according to the terms of the agreement for the acquisition of Tianjin Jingming. During 2021, the Group has followed the judgement by the court and recovered the RMB10 million deposited in the bank account jointly controlled by the Group and the vendors.

# Management Discussion and Analysis

## Financial Resources and Liquidity

As at 30 June 2021, the Group had current assets of HK\$6,767.13 million (31 December 2020: HK\$5,318.96 million) and current liabilities of HK\$4,432.67 million (31 December 2020: HK\$4,302.93 million). The current ratio was 1.53 as at 30 June 2021 as compared with 1.24 as at 31 December 2020.

The Group's cash and bank balances as at 31 December 2021 amounted to HK\$2,337.52 million (31 December 2020: HK\$1,836.70 million), of which approximately 43.3% were denominated in Hong Kong Dollars, United States Dollars, Australian Dollars, Euro and 56.7% in Renminbi.

As at 30 June 2021, the Group had outstanding bank loans of approximately HK\$2,842.98 million (31 December 2020: HK\$2,345.69 million) were granted by banks in the PRC and Hong Kong. All bank loans were denominated in RMB and HK\$. The interest rates charged by banks ranged from 1.74% to 6.89% (31 December 2020: 2.60% to 6.89%) per annum, in which approximately HK\$703.10 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 HK\$103.69 million (31 December 2020: HK\$86.22 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was reduced to approximately 23.4% as at 30 June 2021 as compared with approximately 20.9% as at 31 December 2020.

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

The Group intends to principally finance its operations and investing activities with its 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 2021, the Group did not have 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 2021.

## Significant Investment

Save as disclosed above, the Group did not have other significant investment for the six months ended 30 June 2021.

## Employees and Remuneration Policy

As at 30 June 2021, the Group employed 9,161 staff and workers in Mainland China and overseas (31 December 2020: 8,722). The Group remunerates its employees based on their performance and experience and employees' remuneration regime 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

Save as disclosed above, no subsequent events occurred after 30 June 2021, 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 2021, 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 otherwise 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 Directors and chief executive of the Company	Capacity	Number of Ordinary shares held	Approximate percentage of the Company's issued share capital
Tang Weikun	Beneficial owner	60,000	0.00%
Shao Yan	Interests in spouse ( <i>Note</i> )	6,019,600	0.17%
Zhou Chao	Beneficial owner	56,000	0.00%

*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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 ("Outwit")	1	1,671,671,149 (L)	Beneficial owner	47.09 (L)
Grand (Hongkong) International Investments Holdings Limited ("Grand Investment")	1	1,671,671,149 (L)	Interest of controlled corporation	47.09 (L)
China Grand Enterprises Incorporation ("China Grand")	1	1,671,671,149 (L)	Interest of controlled corporation	47.09 (L)
Shanghai China Grand Asset Finance Investment Management Co., Limited ("Shanghai Finance")	2	286,039,153 (L)	Beneficial owner/ Interest of controlled corporation	8.06 (L)
Mr. Hu Kaijun ("Mr. Hu")	1 & 2 & 3	1,998,730,302 (L)	Interest of controlled corporation	56.31 (L)
Ms. Chau Tung	1 & 2 & 3	1,998,730,302 (L)	Beneficial owner/ Interest in spouse	56.31 (L)
CDH Giant Health I Limited ("CDH Giant")	4	356,648,142 (L)	Beneficial owner	10.05 (L)
CDH Fund V, L.P. ("CDH Fund")	4	356,648,142 (L)	Interest of controlled corporation	10.05 (L)



## Other Information

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	10.05 (L)
China Diamond Holdings V Limited ("China Diamond V")	4	356,648,142 (L)	Interest of controlled corporation	10.05 (L)
China Diamond Holdings Company Limited ("China Diamond")	4	356,648,142 (L)	Interest of controlled corporation	10.05 (L)

(L) denotes long position

### 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.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 2021.

### 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 2021.

### 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 2021 has been reviewed by the audit committee.

## Other Information

### 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 Dr. Tang Weikun 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.

### CHANGE IN INFORMATION OF DIRECTORS

Mr. Liu Chengwei and Mr. Hu Bo retired as executive Directors with effective on 1 June 2021, and they ceased to be chairman and deputy chairman of the Board respectively. Mr. Liu Chengwei also ceased to be a member of the remuneration committee of the Company with effective on 1 June 2021.

Dr. Tang Weikun and Dr. Shi Lin were appointed as executive Directors with effective on 1 June 2021. Dr. Tang Weikun was also appointed as the chairman of the Board and a member of the remuneration committee of the Company.

By order of the Board  
**China Grand Pharmaceutical and Healthcare Holdings Limited**  
**Dr. Tang Weikun**  
*Chairman*

Hong Kong, 10 August 2021

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## 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 2021 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 2021

	Note	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>	3	4,566,530	3,255,784
Cost of sales		(1,673,689)	(1,215,195)
<b>Gross profit</b>		2,892,841	2,040,589
Other revenue and income		61,202	95,577
Distribution costs		(1,414,786)	(955,523)
Administrative expenses		(429,151)	(307,365)
Fair value change on financial assets at fair value through profit or loss		298,892	(6,000)
Share of results of associates		23,209	62,159
Finance costs		(23,671)	(58,116)
<b>Profit before tax</b>		1,408,536	871,321
Income tax expense	4	(204,299)	(165,505)
<b>Profit for the period</b>	5	1,204,237	705,816

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

## Six months ended 30 June

Note	2021 HK\$'000 (Unaudited)	2020 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>		
Fair value (loss)/gain on investment in equity instruments at fair value through other comprehensive income	(1,590)	–
Share of other comprehensive income of associates	(1,529)	8,179
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	91,561	(55,428)
Other comprehensive income/(loss) for the period, net of income tax	88,442	(47,249)
<b>Total comprehensive income for the period, net of income tax</b>	<b>1,292,679</b>	<b>658,567</b>
<b>Profit/(loss) for the period attributable to:</b>		
— Owners of the Company	1,202,543	718,509
— Non-controlling interests	1,694	(12,693)
	<b>1,204,237</b>	<b>705,816</b>

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

		Six months ended 30 June	
	Note	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
— Owners of the Company		1,294,332	670,451
— Non-controlling interests		(1,653)	(11,884)
		1,292,679	658,567
<b>Dividend</b>	6	—	—
<b>Earnings per share</b>	7		
— Basic (HK cents)		33.88	21.27
— Diluted (HK cents)		33.88	21.27

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		3,093,645	3,033,216
Right-of-use assets		397,213	377,113
Investment properties		135,315	132,696
Interests in associates		6,317,893	6,133,066
Equity instruments at fair value through other comprehensive income		310,961	171,164
Loan receivables		113,986	113,959
Goodwill		550,416	505,574
Intangible assets		896,770	881,843
Deferred tax assets		32,943	25,162
Prepayments		306,454	291,594
		<b>12,155,596</b>	<b>11,665,387</b>
<b>Current assets</b>			
Financial asset at fair value through profit or loss	11	822,691	520,767
Inventories		829,457	955,314
Trade and other receivables	9	2,709,547	1,894,160
Loan receivables		–	45,676
Amounts due from related companies		56,502	35,436
Pledged bank deposits		11,409	30,910
Cash and cash equivalents		2,337,523	1,836,695
		<b>6,767,129</b>	<b>5,318,958</b>



# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	10	2,997,126	2,139,452
Contract liabilities	10	37,827	269,049
Bank and other borrowings		1,106,500	1,568,454
Lease liabilities		6,586	6,200
Amounts due to related companies		19,712	57,575
Amounts due to immediate holding company		2,331	2,331
Income tax payable		262,586	259,866
		4,432,668	4,302,927
<b>Net current assets</b>		2,334,461	1,016,031
<b>Total assets less current liabilities</b>		14,490,057	12,681,418
<b>Non-current liabilities</b>			
Bank and other borrowings		1,758,272	798,562
Lease liabilities		20,840	15,162
Deferred tax liabilities		184,463	181,879
Deferred income		281,419	341,606
		2,244,994	1,337,209
<b>Net assets</b>		12,245,063	11,344,209

# Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	12	35,496	35,496
Reserves		12,107,887	11,204,008
<b>Equity attributable to owners of the Company</b>		<b>12,143,383</b>	<b>11,239,504</b>
<b>Non-controlling interests</b>		<b>101,680</b>	<b>104,705</b>
<b>Total equity</b>		<b>12,245,063</b>	<b>11,344,209</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital HK\$'000	Share premium HK\$'000	Contribution Share surplus premium reserve HK\$'000	Statutory reserve HK\$'000	Safety fund reserve HK\$'000	Translation reserve HK\$'000	Other reserve HK\$'000	FVTOCI reserve HK\$'000	Retained profits HK\$'000	Equity attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
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
Exchange difference on translation of foreign operations	-	-	-	-	-	(66,646)	-	-	-	(66,646)	809	(65,837)
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
Dividend paid	-	-	-	-	-	-	-	-	(324,247)	(324,247)	(1,909)	(326,156)
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
At 1 January 2021 (audited)	35,496	6,523,049	121,273	479,682	28,825	163,044	(98,116)	11,871	3,974,380	11,239,504	104,705	11,344,209
Profit for the period	-	-	-	-	-	-	-	-	1,202,543	1,202,543	1,694	1,204,237
Other comprehensive income for the period:												
Change in fair value of financial assets through other comprehensive income	-	-	-	-	-	-	-	(1,590)	-	(1,590)	-	(1,590)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	(1,529)	-	(1,529)	-	(1,529)
Exchange difference on translation of foreign operations	-	-	-	-	-	94,908	-	-	-	94,908	(3,347)	91,561
Total comprehensive income for the period	-	-	-	-	-	94,908	-	(3,119)	1,202,543	1,294,332	(1,653)	1,292,679
Dividend paid	-	-	-	-	-	-	-	-	(390,453)	(390,453)	(1,372)	(391,825)
At 30 June 2021 (unaudited)	35,496	6,523,049	121,273	479,682	28,825	257,952	(98,116)	8,752	4,786,470	12,143,383	101,680	12,245,063

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Net cash generated from operating activities</b>	<b>978,227</b>	<b>438,801</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(275,658)	(81,774)
Net cash outflow from acquisition of subsidiaries	(125,575)	–
Addition of investments in associates	(182,014)	(811,391)
Other cash flows arising from investing activities	(24,160)	99,776
<b>Net cash used in investing activities</b>	<b>(607,407)</b>	<b>(793,389)</b>
<b>Financing activities</b>		
Repayments of bank loans	(1,166,193)	(689,253)
Proceeds from new borrowings	1,631,047	1,417,374
Dividend paid	(391,825)	–
Other cash flows arising from financing activities	(17,955)	(19,923)
<b>Net cash generated from financing activities</b>	<b>55,074</b>	<b>708,198</b>
<b>Net increase in cash and cash equivalents</b>	<b>425,894</b>	<b>353,610</b>
<b>Cash and cash equivalents at 1 January</b>	<b>1,836,695</b>	<b>1,059,269</b>
Effect of foreign exchange rate changes	74,934	(16,821)
<b>Cash and cash equivalents at 30 June</b>	<b>2,337,523</b>	<b>1,396,058</b>

# 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 2020 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 2020 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 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 March 2021.

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 2020 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2021. 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 2021, the Group is principally engaged in manufacture and sales of pharmaceutical products and medical devices, biotechnology 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		Non-current assets	
	Six months ended 30 June		As at 30 June 2021	As at 31 December 2020
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
The PRC	3,769,554	2,555,332	7,817,552	7,567,295
America	329,934	290,274	–	–
Europe	235,044	193,760	–	–
Asia other than the PRC	186,517	201,838	33,147	21,739
Others	45,481	14,580	–	–
Total	4,566,530	3,255,784	7,850,699	7,589,034

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 2021 and 2020, 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:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	205,966	166,264
Deferred tax	(1,667)	(759)
	204,299	165,505

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 8.25% or 16.5% (2020: 8.25% or 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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit before tax is stated after charging:		
Staff costs comprises:		
— Wages and salaries	565,750	536,167
— Retirement benefits schemes contributions	40,954	24,477
	606,704	560,644
Depreciation of property, plant and equipment	139,450	122,477
Depreciation of right-of-use assets	8,589	2,767
Amortisation of intangible assets	10,263	3,950
Total depreciation and amortisation	158,302	129,194
Cost of inventories recognised as an expense	1,673,689	1,215,195
Operating leases rentals in respect of land and buildings	6,162	2,481
(Gain)/loss on disposal of property, plant and equipment	(679)	16,934
Research and development costs	171,370	112,314
Written off of property, plant and equipment	253	789

## 6. INTERIM DIVIDEND

During the six months ended 30 June 2021, the Board declared HK\$0.11 per share or approximately HK\$390.45 million in aggregate as final dividend for the year ended 31 December 2020 (2020: HK\$0.096 per share or approximately HK\$324.25 million in aggregate).

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: 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:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share calculation	1,202,543	718,509

	Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	3,549,571	3,377,571

Basic and diluted earnings per share for the six months ended 30 June 2021 and 2020 was the same as there were no potential ordinary shares in issue during the six months ended 30 June 2021 and 2020.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group incurred approximately HK\$275,658,000 (for the six months ended 30 June 2020: HK\$81,774,000) on additions to property, plant and equipment.

# Notes to the Condensed Consolidated Financial Statements

## 9. TRADE AND OTHER RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables, net	1,627,792	815,265
Bills receivables	480,706	692,807
Prepayments	438,406	259,157
Other tax receivables	43,554	47,334
Other receivables, net	119,089	79,597
	<b>2,709,547</b>	<b>1,894,160</b>

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.

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	1,747,535	922,892
Less: Allowance for credit loss	(119,743)	(107,627)
	<b>1,627,792</b>	<b>815,265</b>

# Notes to the Condensed Consolidated Financial Statements

## 9. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of the trade receivables is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 90 days	1,454,212	631,810
91–180 days	173,580	106,230
181–365 days	–	77,225
	<b>1,627,792</b>	<b>815,265</b>

## 10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables	573,374	400,142
Bills payables	239,106	262,346
Accruals and other payables	2,068,428	1,321,868
Other tax payables	116,218	155,096
<b>Total</b>	<b>2,997,126</b>	<b>2,139,452</b>
<b>Contract liabilities (note a)</b>	<b>37,827</b>	<b>269,049</b>

Note:

- (a) Contract liabilities in relation to sales of finished goods are expected to be settled within one year.

# Notes to the Condensed Consolidated Financial Statements

## 10. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

(Continued)

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 90 days	346,370	237,868
Over 90 days	227,004	162,274
	573,374	400,142

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Equity securities listed in Hong Kong (note (a))	41,665	34,999
Listed equity security in Australia (note (a))	756,858	462,067
Investment at fair value (note (b))	24,168	23,701
	822,691	520,767

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 at 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.

# Notes to the Condensed Consolidated Financial Statements

## 12. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each			
	30 June 2021		31 December 2020	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
<b>Authorised:</b> Ordinary shares of HK\$0.01 each	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	3,549,571	35,496	3,377,571	33,776
Issue under subscription (note (a))	–	–	172,000	1,720
At the end of the period/year	3,549,571	35,496	3,549,571	35,496

Note:

- (a) On 10 August 2020, the Company placed to placing agent of 172,000,000 shares of par value HK\$0.01 each at placing price of HK\$5.90 for total consideration. The net proceeds from the placing, after deducting the placing commission and the related fees and expenses, amount to approximately HK\$1,013,600,000. The proceeds mainly be used in research and development projects, expansion of research team and investment in technology.

# Notes to the Condensed Consolidated Financial Statements

## 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\$262,000 (2020: HK\$52,000). The Group had future minimum lease receipts from tenants under non- cancellable operating lease which fall due as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within one year	1,025	67
In the second to fifth year inclusive	430	52
	1,455	119

### (b) Capital commitment

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Capital expenditure contracted but not provided for:		
Acquisition of property, plant and equipment	113,713	108,699

## 14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2021 (2020: Nil).

# Corporate Information

## Executive directors

Dr. Tang Weikun (*Chairman*)  
(appointed on 1 June 2021)

Dr. Shao Yan

Dr. Niu Zhanqi

Dr. Shi Lin

(appointed on 1 June 2021)

Mr. Liu Chengwei

(retired on 1 June 2021)

Mr. Hu Bo

(retired on 1 June 2021)

## Independent non-executive directors

Ms. So Tosi Wan, Winnie

Mr. Hu Yebi

Dr. Pei Geng

## COMPANY SECRETARY

Mr. Foo Tin Chung, Victor

## AUTHORISED REPRESENTATIVES

Dr. Tang Weikun

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

Dr. Tang Weikun

## 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

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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

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Hamilton HM 11, Bermuda

## PRINCIPAL OFFICE

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99 Queen's Road Central, Hong Kong