CHINA GRAND PHARMACEUTICAL AND HEALTHCARE HOLDINGS LIMITED

遠大醫藥健康控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00512)

2020 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights

- For the six months ended 30 June 2020, the Group recorded revenue of approximately HK$3,255.78 million (six months ended 30 June 2019: HK$3,587.06 million), representing a decrease of approximately 9.2% as compared to the corresponding period in 2019, and, excluding the impact of RMB exchange rate changes, the Group's revenue decreased by approximately 4.9% compared to the same period of last year.

- For the six months ended 30 June 2020, the profit attributable to owners of the Company amounted to approximately HK$718.51 million (six months ended 30 June 2019: HK$546.96 million), representing a significant increase of approximately 31.4% as compared to the corresponding period in 2019, and, excluding the impact of RMB exchange rate changes, the profit attributable to owners of the Company increased by approximately 38.3% compared to the same period of last year.

- The gross profit margin of the Group for the six months ended 30 June 2020 was approximately 62.7%, which was comparable to the gross profit margin of the same period of last year, and, excluding the impact of RMB exchange rate changes, the consolidated gross profit margin of the Group's principal subsidiary Grand Pharma (China) Co., Ltd. and its subsidiaries (prepared by PRC accounting standards), increased by approximately 1.0 percent points to approximately 67.7%.

- For the six months ended 30 June 2020, the Group has made significant investments in pre-clinical research, clinical trials and drug registration of its pipeline projects, and reached agreements with a number of companies for obtaining the rights of R&D, manufacturing and commercialization of different products and for the consolidation of further cooperation, with a total investment amount of over RMB900 million.

INTERIM RESULTS

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Six Months Ended 30 June 2020

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

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	**30 June 2020** ***HK$'000*** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Non-current assets			
Property, plant and equipment		**2,838,564**	2,921,470
Right-of-use assets		**329,486**	342,364
Investment properties		**78,273**	79,815
Interests in associates		**5,905,912**	5,165,955
Equity instruments at fair value through other comprehensive income		**176,037**	95,025
Goodwill		**472,104**	480,321
Intangible assets		**812,268**	794,723
Deferred tax assets		**19,488**	19,872
Prepayments		**87,421**	97,439
		10,719,553	9,996,984
Current assets			
Financial asset at fair value through profit or loss		**66,272**	71,891
Inventories		**810,796**	814,373
Trade and other receivables	*8*	**2,037,565**	1,698,808
Amounts due from related companies		**18,445**	50,697
Pledged bank deposits		**43,843**	121,285
Cash and cash equivalents		**1,396,058**	1,059,269
		4,372,979	3,816,323
Current liabilities			
Trade and other payables	*9*	**2,434,479**	2,026,196
Contract liabilities		**73,930**	305,558
Bank and other borrowings		**1,670,751**	967,607
Lease liabilities		**8,384**	22,621
Amounts due to related companies		**13,862**	33,155
Amounts due to immediate holding company		**2,331**	3,402
Income tax payable		**200,719**	231,024
		4,404,456	3,589,563
Net current (liabilities)/assets		**(31,477)**	226,760
Total assets less current liabilities		**10,688,076**	10,223,744
Non-current liabilities			
Bank and other borrowings		**1,048,448**	1,062,690
Lease liabilities		**12,551**	11,928
Deferred tax liabilities		**168,289**	171,506
Deferred income		**561,290**	466,613
		1,790,578	1,712,737
Net assets		**8,897,498**	8,511,007

	Note	**30 June 2020** ***HK$'000*** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Capital and reserves attributable to owners of the Company			
Share capital		**33,776**	33,776
Reserves		**8,687,695**	8,341,491
Equity attributable to owners of the Company		**8,721,471**	8,375,267
Non-controlling interests		**176,027**	135,740
Total equity		**8,897,498**	8,511,007

Notes:

1. Review of interim results

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

2. Basis of preparation

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

This consolidated interim financial result contains consolidated financial results and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

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

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

3. Revenue and Segment information

For the six months ended 30 June 2020, the Group is principally engaged in manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials 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	As at 31 December
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC	**2,555,332**	2,867,224	**8,123,038**	7,056,007
America	**290,274**	185,115	**-**	-
Europe	**193,760**	307,038	**-**	-
Asia other than the PRC	**201,838**	200,046	**-**	490
Others	**14,580**	27,635	**-**	-
Total	**3,255,784**	3,587,058	**8,123,038**	7,056,497

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

Information about major customers

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

4. Income tax expenses

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

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

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

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

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

5. Profit for the period

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

6. Interim dividend

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

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

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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share calculation	**718,509**	546,957
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds (net of tax)	**-**	9,598
Earnings for the purpose of diluted earnings per share calculation	**718,509**	556,555

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

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

8. Trade and other receivables

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

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

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

The ageing analysis of the trade receivables is as follows:

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

9. Trade and other payables

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

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

	30 June 2020	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 90 days	**304,580**	237,118
Over 90 days	**96,287**	118,053
	400,867	355,171

10. Contingent liabilities

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

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

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

BUSINESS REVIEW

Revenue

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

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

Pharmaceutical Preparations and Medical Devices

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

Respiratory and ENT medicines and devices

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

- Ophthalmic: For the six-month period ended 30 June 2020, the revenue from ophthalmic products of the Group was approximately RMB353.70 million, which was similar to that of approximately RMB354.53 million for the corresponding period in 2019. The core non-prescription eye drops of “Rui Zhu” have achieved rapid growth in both e-commerce platforms and retail pharmacy sales. Revenue for the Period was approximately RMB93.46 million, representing a significant increase of approximately 34.2% as compared to approximately RMB 69.66 million for the corresponding period in 2019.

- Respiratory and ENT: For the six-month period ended 30 June 2020, the revenue from respiratory and ENT products of the Group was approximately RMB686.43 million, representing a decrease of approximately 16.0% as compared to approximately RMB 817.65 million for the corresponding period in 2019. The major product “Qie Nuo” was listed in the Procurement Catalogue of Huoshenshan and Leishenshan Hospitals during the epidemic, yet the number of visits of patients with respiratory problems has dropped significantly and the sales of prescription drugs have fallen sharply, subject to the suspension or attendance restriction of some hospitals during the epidemic. For the Period, the revenue from "Qie Nuo" was approximately RMB465.33 million, representing a decrease of approximately 16.0% compared to the same period in 2019. Concurrently, the revenue from the Jinsang series has also decreased by approximately 19.0% to approximately RMB160.11 million.

Cerebro-cardiovascular medicines and devices

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

Biotechnology Products and Healthcare Products

The core products of the bio-technology products and healthcare products include Taurine, amino acid products, bio-pesticides, bio-feed additives and steroid products, etc. In the first half of 2020, the

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

Specialized Pharmaceutical Ingredients and Other Products

Specialized pharmaceutical ingredients and other products are the relatively stable segment among the product segments of the Group. As an upstream guarantee for the integrated supply chain of ingredients and preparations, the Group has always been proactively improving product technology and product quality, reforming the production technology to increase efficiency, and adjusting the product matrix to enhance market competitiveness and improve economic efficiency. However, subject to the overall decline in the pharmaceutical industry owing to the epidemic, the relevant revenue of this segment decreased slightly by approximately 2.0% to approximately RMB 350.33 million during the Period.

Distribution Costs and Administrative Expenses

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

Finance costs

The Group's finance costs for the six months ended 30 June 2020 amounted to approximately HK$58.12 million as compared to approximately HK$84.9 million for the corresponding period in 2019. During the Period, the Group adjusted its loan portfolio by taking advantage of the consecutive supportive policies for industries introduced by the central and local governments, resulting in a significant decrease of approximately 31.5% in the overall finance costs.

Research and Development

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

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

Innovative Pipeline

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

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

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

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

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

In the field of respiratory and ENT, Ryaltris, a compound nasal spray for the treatment of allergic rhinitis for which the Group was granted the exclusive commercialization rights by Glenmark Specialty S.A. in China, has submitted the New Drug Application to the FDA, and has been approved for launch in Australia. Now it is also undergoing the preparation work for investigational new drug ("**IND**") application of imported new drug in China. BRM421, a world-wide innovative drug used for the treatment of dry eye disease for which the Group was granted the development and commercialization

rights by BRIM Biotechnology, Inc. in Taiwan during the Period, has completed the phase II clinical research and is expected to commence the phase III clinical research in 2020 to facilitate commercialization. The innovative product CBT-001 for the treatment of pterygium, for which the Group was granted the production (including technology transfer) and commercialization rights by Cloudbreak Bio-Pharmaceutical Science and Technology (Guangzhou) Co., Ltd. and Cloudbreak Therapeutics LLC ("**Cloudbreak Cayman**", and collectively referred to as "**Cloudbreak**"), has completed the phase II clinical research and is planned to commence a global multi-centre phase III clinical trial in 2021 to facilitate commercialization. IND applications for dry eye disease and pterygium products in China are also being prepared actively, and it is expected that the IND applications will be submitted to the Centre for Drug Evaluation, NMPA in 2021.

R&D Team

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

Investment in R&D and New Projects

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

Consistency Evaluation

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

Intellectual Property Protection

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

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

Investment, M&A and Cooperation

In the first half of 2020, the Group continued to implement the development strategy of "self-development + global expansion", further exploring high-quality innovative projects around the world to expand the Group's product pipeline and enhance the Group's comprehensive strengths, and putting vigorous efforts in transformation towards innovation and internationalization. On the one hand, the Group has gained innovative ophthalmic drugs by relying on the existing advantageous areas such as respiratory, ophthalmic and ENT. On the other hand, with a focus on the two major directions of "precise intervention and tumor immunology field" and "anti-viral and anti-infection field", the Group

has further explored in tumor immunology and neurological intervention, and at the same time obtained new sepsis drug to further enrich the product line of anti-infection field. Leveraging on the Group's outstanding business development and commercialization capabilities as well as the sufficient cash flow, the Group's domestic and overseas project reserves are abundant at this stage, while the investment and M&A projects are progressing steadily as well.

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

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

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

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

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

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

Investment in CNCB Fund

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

Equity subscription of the Revolmmune and licensing cooperation of world-wide innovative Vesicuar Stomatitis Virus product

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

Investment in Nanjing Fund

In July 2020, the Group committed to invest RMB100 million in Nanjing Chuangyi Doyen Equity Investment Partnership (Limited Partnership)* (南京創熠東銀股權投資合夥企業(有限合夥), "**Nanjing Fund**") as the fund to be invested in healthcare, pharmaceutical and medical device projects.

Investment in the new stent retriever in the field of neurointervention

In July 2020, the Group, together with Nanjing Fund and Shanghai Hongsheng Enterprise Management Partnership (Limited Partnership) subscribed and acquired in stages Nanjing Kainet (南京凱尼特), upon the satisfaction of relevant conditions agreed, the Group will hold 100% equity interest in Nanjing Kainet (南京凱尼特) and obtain medical devices in five areas of neurointervention including the third-generation thrombotic stent and its ancillary products for the treatment of ischemic stroke. The Group will expand its product pipeline in precise intervention treatment and build an integrated platform for the R & D, production and sales of medical devices in cardio-cerebrovascular intervention therapy.

Investor Relations

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

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

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

Updates on Significant Matters

With reference to the disclosure in the 2016, 2017, 2018 and 2019 annual report 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 loss suffered by the Company. Up to 30 June 2020, the court has concluded 53 cases, and Tianjin Jingming has appealed 4 cases against the judgement of first instance with aggregate compensation of approximately RMB0.59 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB24.90 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) Co., Ltd.("**Grand Pharm (China)**") had claimed the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered. According to the final judgment by the court, he original shareholders of Tianjin Jingming should compensate to us approximately RMB8.09 million as the existing compensate and liquidated damages at the point of judgment. Grand Pharm (China) also has the right to raise litigation claiming the original shareholders of the Tianjin Jingming for the indemnification related to such product quality incident made by Tianjin Jingming in the future, the Directors therefore 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 shall 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 in 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 related to the said Performance Guarantee, and in July 2017 obtained the judgement of first instance from the court and received the final judgement from the court in February 2018. 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 RMB21.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming. The vendors subsequently applied for rehearing of the aforesaid judgement, and the matter was reheard according to the court's judgement and is still under processing.

PROSPECTS

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

Unceasingly enriching product line with high entry barrier and reinforcing competitive edges in international markets

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

In the field of "precision diagnostics + treatment", the Group has launched two major drug-coating balloon products, RESTORE DEB and APERTO OTW. RESTORE DEB is the only product in the market with two indications of de novo coronary artery lesions and in-stent restenosis, and has strong market competitiveness. APERTO OTW is the first and the only drug-coating balloon currently in the market for shunt restenosis in arteriovenous fistula for hemodialysis patients. It has shown remarkable clinical results, and is expected to bring revolutionary changes to the existing treatment methods. In addition, two drug-coating balloons adopt patented coating technology, which improves the compatibility and reduces side effects. The Group will vigorously promote the commercialization of the two drug-coating balloon products, and expand the market coverage of the two products through multiple channels and directions. The two in vitro diagnostic products, namely NOVASIGHT Hybrid (intravascular ultrasound/optical coherence tomography system) and FORESIGHT ICE (3D intracardiac echocardiography), have broad application prospects in terms of coronary artery imaging and intracavity intervention surgery. The preparation work for introducing SIR-Spheres® Y-90 resin microsphere-

another interventional radiotherapy product for late-stage liver cancer in such field to China is in progressing smoothly. Given the lack of effective treatment and new technology for liver cancer in China, and the fact that Chinese liver cancer patients account for more than 50% of the world's liver cancer patients, the SIR-Spheres®Y-90 resin microspheres, as the only FDA-approved internal radiation therapy, is able to create good synergies with the existing treatment methods and emerging immunotherapy, and is projected to have great clinical value and market prospects. TAVO™, the world's innovative genetic immunotherapy, may be able to effectively treat the 60%-90% cancer patients who have no response to immunotherapy. Its market scale is expected to reach USD100 billion. Recently, the clinical research on this product has made a breakthrough, and the synergies between TAVO™ and SIR-Spheres® Y-90 resin microsphere may further drive the Group's development in tumor treatment. In addition, LEGFLOW OTW, a drug-eluting balloon product for peripheral vascular diseases, and eTheRNA's mRNA platform with high adaptability further enrich the Group's product pipeline in precise intervention therapy and tumor immunology.

Introducing international R&D platform and high-entry-barrier products to enhance overall competitiveness

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

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

Broadening revenue sources through multi-channel expansion and unremittingly strengthening comprehensive advantages

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

To speed up the continuous development of the Group's innovative technologies and products, recently, the Group has made capital commitment to Nanjing Fund and CNCB Fund. The investment scope and target sectors of CNCB Fund mainly include the world's leading pharmaceutical companies and medical device manufacturers focusing on different aspects such as biopharmaceutical, cerebro-cardiovascular, ophthalmic, tumor, etc., which are in line with the business strategy of the Group. Such investment helps the Group to hunt for R&D projects of higher quality globally and to enhance the Group's R&D

capability, with the objective of transforming toward innovation and globalization. Also, such investment will not only allow the Group to diversify its research and financial risk of making similar investments, but will also enable the Group to expand the scope of incubation and development of innovative projects with the same amount of investment. In future, it is expected that these two funds will keep contributing to the Group's expansion in international projects and bringing momentum for the Group to introduce advanced technologies and products. As a result, the Group's business development ability in both domestic and overseas markets will continue to be improved and its product pipeline to be enriched.

Purchase, Sale or Redemption of Shares

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

Employees and Remuneration Policy

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

Events after the Reporting Period

On 22 July 2020, the Group entered into an agreement to subscribe and acquire equity interests of Nanjing Kainite Medical Technology Company Limited (南京凱尼特醫療科技有限公司), and committed to contribute an additional capital of RMB100,000,000 to Nanjing Chuangyi Dongyin Equity Investment Partnership (Limited Partnership) (南京創熠東銀股權投資合夥企業(有限合夥)). Further details please refer to the announcement of the Company dated 27 July 2020.

On 1 August 2020, the Group entered into a placing agreement with China International Capital Corporation Hong Kong Securities Limited (as placing agent) to place 172,000,000 new shares of the Company at the placing price of HK$5.90 to not less than six placees, including Beijing Pan Feng Investment Management Partnership (Limited Partnership) (北京磐澧投資管理合夥企業(有限合夥)) has invested in the Company through a derivative contract with one of the Placees, and another one of the Placees is an affiliate of Hillhouse Capital Advisors, Ltd.. Further details please refer to the announcement of the Company dated 2 August 2020.

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

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2020.

Code of Corporate Governance Practices

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

Audit Committee

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

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

Remuneration Committee

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

Nomination Committee

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

By order of the Board
China Grand Pharmaceutical and Healthcare Holdings Limited
Liu Chengwei
Chairman

Hong Kong, 10 August 2020

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Liu Chengwei, Mr. Hu Bo, Dr. Shao Yan and Dr. Niu Zhanqi and three independent non-executive directors, namely Ms. So Tosi Wan, Winnie, Dr. Pei Geng and Mr. Hu Yebi.

 # The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

** For identification purpose only.*