
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus or as to the action to be taken, you should consult your licensed securities dealer, other licensed corporation, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). The Prospectus Documents should not, however, be distributed, forwarded to or transmitted to, into or from any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

A copy of each of the Prospectus Documents, having attached thereto the documents mentioned in the paragraph headed "14. Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, have been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of any of the documents referred to above.

Dealings in the Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The securities described herein have not been registered under the US Securities Act or the laws of any state in the United States, and may not be offered or sold within the United States, absent registration or an exemption from the registration requirements of the US Securities Act and applicable state laws. There is no intention to register any portion of the Rights Issue or any securities described herein in the United States or to conduct a public offering of securities in the United States. This prospectus is not for release, publication or distribution, directly or indirectly, in or into the United States.

Distribution of this prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons (including, without limitation, Shareholders and beneficial owners of the Shares, agents custodians, nominees and trustees) into whose possession this prospectus comes should inform themselves of and observe any such restrictions. This prospectus will not be registered or filed under any applicable securities or equivalent legislation of any jurisdictions other than (i) Hong Kong; and (ii) the PRC (in accordance with the CSRC Notice).

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



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)

RIGHTS ISSUE OF RIGHTS SHARES ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY TWENTY-FIVE (25) SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Terms used in this cover shall have the same meanings as defined in this prospectus.

Dealings in the Shares have been on an ex-rights basis from Friday, 13 July 2018. Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 16 August 2018 to Thursday, 23 August 2018 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form up to the date when the conditions of the Rights Issue are fulfilled (which is expected to be 4:00 p.m. on Wednesday, 29 August 2018) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

The latest time for acceptance and payment for the Rights Shares and application for excess Rights Shares is 4:00 p.m. on Tuesday, 28 August 2018. The procedures for acceptance and transfer for the Rights Shares are set out on pages 16 to 17 of this prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level.

NOTICE

If any of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” in the “Letter from the Board” of this prospectus is not fulfilled or waived, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis from Friday, 13 July 2018. The Rights Shares in their nil-paid form will be dealt in from Thursday, 16 August 2018 to Thursday, 23 August 2018 (both days inclusive). Such dealings will take place when the conditions of the Rights Issue remain unfulfilled. Any person dealing in the securities of the Company up to the date on which all the conditions of the Rights Issue are fulfilled, which is currently expected to be 4:00 p.m. on Wednesday, 29 August 2018, and any person dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or the Rights Shares and/or the nil-paid Rights Shares, and if they are in any doubt about their position, they are recommended to consult their professional advisers.

EXCEPT AS OTHERWISE SET OUT HEREIN, THE RIGHTS ISSUE DESCRIBED IN THIS PROSPECTUS IS NOT BEING MADE TO SHAREHOLDERS, BENEFICIAL OWNERS OR INVESTORS WITH REGISTERED ADDRESSES IN, LOCATED OR RESIDED IN JURISDICTIONS OUTSIDE HONG KONG. UNLESS OFFER TO SUCH JURISDICTIONS COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER LEGAL OR REGULATORY REQUIREMENTS OR THE OFFER IS MADE IN RELIANCE ON ANY EXEMPTION OR WHERE COMPLIANCE IS NOT UNDULY BURDENSOME.

This prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, the nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlement to the nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. None of the nil-paid Rights Shares, the fully-paid Rights Shares, this prospectus, the PALs and the EAFs will be filed or registered under the securities laws of any of the jurisdictions other than in (i) Hong Kong; and (ii) the PRC (in accordance with the CSRC Notice). Accordingly, the nil-paid Rights Shares and the fully-paid Rights Shares may not be offered, sold, pledged, taken up, resold, transferred or delivered, directly or indirectly, into or within any jurisdiction other than Hong Kong absent registration or qualification under the respective securities laws of such jurisdictions, or exemption from the registration or qualification requirements under applicable rules of such jurisdictions.

Shareholders with registered addresses in, and investors who are located or resided in, any of the jurisdictions other than Hong Kong or who hold Shares on behalf of persons with such addresses, and beneficial owners who are resident outside Hong Kong should refer to the section headed “Rights of Overseas Shareholders” in the “Letter from the Board” of this prospectus. For the entitlement of the PRC Southbound Trading Investors to participate in the Rights Issue, please refer to the section headed “PRC Southbound Trading Investors” in the “Letter from the Board” of this prospectus.

NOTICE

Each person acquiring the nil-paid Rights Shares and/or Rights Shares under the Rights Issue will be required to confirm, or be deemed by his acquisition of the nil-paid Rights Shares and/or Rights Shares to confirm, that he is aware of the restrictions on offers and sales of the nil-paid Rights Shares and/or Rights Shares described in this prospectus.

NOTICE TO OVERSEAS INVESTORS

Based on the legal advice of the Company's legal advisers in relation to the laws of the relevant overseas restrictions, the following notices are set out for the attention of the overseas investors in the following jurisdictions.

Notice relating to investors in Canada

Neither the nil-paid Rights Shares nor fully-paid Rights Shares may be distributed, directly or indirectly, in any province or territory of Canada or to or for the benefit of any resident of any province or territory of Canada except pursuant to an exemption from the requirement to file a prospectus or rights offering circular with regulatory bodies in the province or territory of Canada in which the offer or sale is made. Any resale of the nil-paid Rights Shares and/or the fully-paid Rights Shares by a resident of Canada or to a resident of Canada must be made in accordance with applicable Canadian securities laws. Purchasers are advised to seek legal advice prior to any resale of the nil-paid Rights Shares and/or the fully-paid Rights Shares to a Canadian resident.

Notice to the PRC Southbound Trading Investors

For the avoidance of doubt, the PRC Southbound Trading Investors can participate in the Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights Shares on the Stock Exchange under the Shenzhen-Hong Kong Stock Connect; and/or (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations.

However, China Clear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through the Shenzhen-Hong Kong Stock Connect. The PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in the China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares on the Stock Exchange via China Clear under the Shenzhen-Hong Kong Stock Connect and can neither purchase any nil-paid Rights Shares nor transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors.

NOTICE

Notice to investors in the PRC (other than the PRC Southbound Trading Investors)

If a Shareholder resident in the PRC (other than the PRC Southbound Trading Investors) and/or any other PRC resident (including both individuals and companies) (other than the PRC Southbound Trading Investors) wishes to invest in nil-paid or fully-paid Rights Shares, he/she/it shall be responsible for complying with relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses and damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or other resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the nil-paid or fully-paid Rights Shares to any such Shareholder and/or other resident, if in the Company's absolute discretion issuing the nil-paid or fully-paid Rights Shares to them does not comply with the relevant laws of the PRC.

General

Notwithstanding the above or any other provision in the Prospectus Documents, the Company reserves the right to permit any Shareholder to participate in the Rights Issue and take up his/her/its entitlement to Rights Shares if the Company, in its absolute discretion, is satisfied that the offer under the Rights Issue is exempt from or not subject to or can otherwise be lawfully made to them without contravention of any relevant legal or regulatory requirements. If the Company is so satisfied, the Company will, if requested, arrange for the relevant Shareholder to be sent a PAL and an EAF.

FORWARD-LOOKING STATEMENTS

All statements in this prospectus other than statements of historical fact are forward-looking statements. In some cases, forward-looking statements may be identified by the use of words such as “might”, “may”, “could”, “would”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue”, “illustration”, “projection” or similar expressions and the negative thereof. Forward-looking statements in this prospectus include, without limitation, statements in respect of the Group’s business strategies, product offerings, market position, competition, financial prospects, performance, liquidity and capital resources, as well as statements regarding trends in the relevant industries and markets in which the Group operates, technological advances, financial and economic developments, legal and regulatory changes and their interpretation and enforcement.

The forward-looking statements in this prospectus are based on management’s present expectations about future events. Management’s present expectations reflect numerous assumptions regarding the Group’s strategy, operations, industry, developments in the credit and other financial markets and trading environment. By their nature, they are subject to known and unknown risks and uncertainties, which could cause actual results and future events to differ materially from those implied or expressed by forward-looking statements. Should one or more of these risks or uncertainties materialise, or should any assumptions underlying forward-looking statements prove to be incorrect, the Group’s actual results could differ materially from those expressed or implied by forward-looking statements. Additional risks not known to the Group or that the Group does not currently consider material could also cause the events and trends discussed in this prospectus not to occur, and the estimates, illustrations and projections of financial performance not to be realised.

Prospective investors are cautioned that forward-looking statements speak only as at the date of publication of this prospectus. Except as required by applicable law, the Group does not undertake, and expressly disclaims, any duty to revise any forward-looking statement in this prospectus, be it as a result of new information, future events or otherwise.

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DEFINITIONS

In this prospectus, the following expressions have the following meanings, unless the context otherwise requires:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday and public holiday) on which banks are open for general banking business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Grand”	China Grand Enterprises Incorporation (中國遠大集團有限責任公司), a company established in the PRC with limited liability, being an indirect controlling shareholder of the Company
“China Clear”	China Securities Depository and Clearing Corporation Limited
“Company”	China Grand Pharmaceutical and Healthcare Holdings Limited (遠大醫藥健康控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed and traded on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$300,000,000 issued by the Company to CDH Giant Health I Limited on 17 October 2014 as more particularly described in the announcements of the Company dated 23 June 2014 and 17 October 2014
“CSRC”	China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (CSRC Notice [2016] No. 21) (關於港股通下香港上市公司向境內原股東配售股份的備案規定(證監會公告[2016] 21號))
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders (other than the PRC Southbound Trading Investors) who wish to apply for Rights Shares in excess of their entitlements under the Rights Issue

DEFINITIONS

“East Ocean”	East Ocean Capital (Hong Kong) Company Limited, a wholly owned subsidiary of Shanghai Finance
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places or the requirements of the relevant overseas regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking(s)”	the irrevocable undertaking(s) given by Outwit, East Ocean, Shanghai Finance and Ms Chau Tung in favour of the Company
“Last Trading Day”	4 July 2018, being the last full trading day before the release of the Announcement
“Latest Practicable Date”	7 August 2018, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained in this prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr Hu”	Mr Hu Kaijun, a substantial shareholder of the Company
“Ms Chau Tung”	Ms Chau Tung, the spouse of Mr Hu
“Outwit”	Outwit Investments Limited, the direct controlling shareholder of the Company
“Overseas Letter”	a letter from the Company to the Excluded Shareholders (if any) explaining the circumstances in which the Excluded Shareholders (if any) are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) (whose name(s) appear on the register of members of the Company on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Posting Date”	14 August 2018, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“PRC”	the People’s Republic of China, which, for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Southbound Trading Investors”	the PRC investors who hold the shares of Hong Kong listed companies through China Clear as nominee under the Shenzhen-Hong Kong Stock Connect
“Prospectus Documents”	this prospectus, the PAL and the EAF
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company on the Record Date
“Record Date”	23 July 2018, being the date by reference to which entitlements to the Rights Issue are to be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the issue by way of rights of six (6) Rights Shares for every twenty-five (25) Shares in issue on the Record Date at the Subscription Price on a non-underwritten basis
“Rights Share(s)”	up to 553,676,287 new Shares to be allotted and issued under the Rights Issue
“SFO”	Securities and Futures Ordinance
“Shanghai Finance”	Shanghai China Grand Asset Finance Investment Management Co., Limited (上海遠大產融投資管理有限公司), a company established in the PRC and a non-wholly controlled subsidiary of China Grand
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing platform under which PRC domestic investors may trade in the Stock Exchange via China Clear

DEFINITIONS

“Sirtex”	Sirtex Medical Limited, a company incorporated in Australia with limited liability and the shares of which are listed on the ASX (code: SRX)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$5.20 per Rights Share under the Rights Issue
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“United States” or “US”	the United States of America
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
“A\$”	Australian dollar, the lawful currency of Australia
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the United States
“%”	per cent.

In this prospectus:

- (1) *the English names of Chinese nationals, entities, facilities and localities are unofficial translation or transliteration from their Chinese names and are for identification purposes only.*
- (2) *amounts denominated in A\$ have been converted, for the illustration purpose only, into HK\$ at the exchange rate of HK\$1.00 = A\$0.170.*
- (3) *amounts denominated in RMB have been translated into HK\$ at the rate of RMB0.81 = HK\$1.00 for illustration purpose only.*

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue. Dates or deadlines specified below and in other parts of this prospectus are indicative only and may be varied by the Company. In the event that any special circumstances arise, the Board may extend, or make adjustment to, the timetable if it considers appropriate. The Company will notify Shareholders by way of announcement(s) of a change to the expected timetable as and when appropriate.

First day of dealing in nil-paid Rights Shares Thursday, 16 August, 2018

Latest time for splitting nil-paid Rights Shares 4:30 p.m. on Monday, 20 August, 2018

Last day of dealing in nil-paid Rights Shares Thursday, 23 August, 2018

Latest time for acceptance of and payment for the
Rights Shares and for application and payment
for excess Rights Shares 4:00 p.m. on Tuesday, 28 August, 2018

Latest time for the Rights Issue to
become unconditional 4:00 p.m. on Wednesday, 29 August, 2018

Announcement of the results of the Rights Issue to be published Tuesday, 4 September, 2018

Refund cheques for wholly and partially
unsuccessful excess applications to be posted Wednesday, 5 September, 2018

Share certificates of fully-paid
Rights Shares to be posted Wednesday, 5 September, 2018

Dealings in fully-paid Rights Shares commence 9:00 a.m., Thursday, 6 September, 2018

All times and dates in this prospectus refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this prospectus are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 28 August 2018. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 28 August 2018. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Tuesday, 28 August 2018, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this prospectus:

Basis of Rights Issue	:	Six (6) Rights Shares for every twenty-five (25) existing Shares held on the Record Date
Subscription Price	:	HK\$5.20 per Rights Share
Number of Rights Shares to be issued under the Rights Issue	:	Up to 553,676,287 Rights Shares
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	Up to 2,860,660,818 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Outwit, East Ocean, Shanghai Finance and Ms Chau Tung have undertaken to take up an aggregate of 333,983,643 Rights Shares (representing approximately 60.32% of the total Rights Shares to be provisionally allotted by the Company)
Funds raised before expenses	:	Up to approximately HK\$2,879.12 million
Right to make excess applications	:	Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for Rights Shares in excess of their provisional allotments

The 553,676,287 Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue represents (i) approximately 24.00% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares, assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue.

SUMMARY OF THE RIGHTS ISSUE

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfillment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in the “Letter from the Board” of this prospectus. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr Liu Chengwei (Chairman)

Mr Hu Bo (Deputy Chairman)

Dr Shao Yan

Dr Niu Zhanqi

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Independent non-executive Directors:

Ms So Tosi Wan, Winnie

Dr Pei Geng

Head office and principal place

of business in Hong Kong:

Unit 3302, The Center

99 Queen's Road Central

Hong Kong

14 August 2018

To the Qualifying Shareholders, the PRC Southbound Trading Investors and, for information only, the Excluded Shareholders (if any)

Dear Sir or Madam,

**RIGHTS ISSUE OF RIGHTS SHARES
ON THE BASIS OF
SIX (6) RIGHTS SHARES FOR EVERY TWENTY-FIVE (25) SHARES
HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the announcement of the Company dated 4 July 2018 whereby the Board announced that the Company proposed to conduct the Rights Issue to raise up to approximately HK\$2,879.12 million before expenses by issuing up to 553,676,287 Rights Shares at the Subscription Price of HK\$5.20 per Rights Share on the basis of six (6) Rights Shares for every twenty-five (25) Shares held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders.

The purpose of this prospectus is to provide you with, among other thing, details on the Rights Issue and financial information and other general information in respect of the Group.

* For identification purpose only

LETTER FROM THE BOARD

RIGHTS ISSUE

The terms of the Rights Issue are set out as follows:

Issue statistics

Basis of Rights Issue	:	Six (6) Rights Shares for every twenty-five (25) existing Shares held on the Record Date
Subscription Price	:	HK\$5.20 per Rights Share
Number of Shares in issue as at the Record Date	:	2,306,984,531 Shares
Number of Rights Shares to be issued under the Rights Issue	:	Up to 553,676,287 Rights Shares
Aggregate nominal value of the Rights Shares	:	Up to HK\$5,536,762.87
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	Up to 2,860,660,818 Shares (based on the number of Shares in issue as at the Latest Practicable Date and assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)
Number of Rights Shares undertaken to be taken up	:	Outwit, East Ocean, Shanghai Finance and Ms Chau Tung have undertaken to take up an aggregate of 333,983,643 Rights Shares (representing approximately 60.32% of the total Rights Shares to be provisionally allotted by the Company)
Funds raised before expenses	:	Up to approximately HK\$2,879.12 million
Right to make excess applications	:	Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for Rights Shares in excess of their provisional allotments

The 553,676,287 Rights Shares to be provisionally allotted pursuant to the terms of the Rights Issue represents (i) approximately 24.00% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 19.35% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares, assuming no new Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds which are held by CDH Giant Health I Limited and convertible into a maximum of 222,222,222 new Shares at the conversion price of HK\$1.35 per Shares (subject to adjustment). CDH Giant Health I Limited has undertaken not to and had not exercised the conversion right attaching to the Convertible Bonds before the Record Date.

Save for the Convertible Bonds, as at the Latest Practicable Date, there were no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares and rights over Shares.

Subscription Price

The Subscription Price, being HK\$5.20 per Rights Share, is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 2.99% to the theoretical ex-right price of approximately HK\$5.36 per Share based on the closing price per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 3.70% to the closing price of HK\$5.40 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 3.35% to the average of the closing prices of Shares for the five consecutive trading days ended on the Last Trading Day of approximately HK\$5.38 per Share;
- (iv) a discount of approximately 3.88% to the average of the closing prices of Shares for the ten consecutive trading days ended on the Last Trading Day of approximately HK\$5.41 per Share; and
- (v) a premium of approximately 5.05% to the closing price of HK\$4.95 per Shares as quote on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined with reference to the recent closing prices of the Shares, the financial conditions of the Company and current market conditions.

The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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Basis of provisional allotment

Six (6) Rights Shares for every twenty-five (25) Shares held by a Qualifying Shareholder on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date. The Company will send the Prospectus Documents, including this prospectus, the PAL and the EAF, to the Qualifying Shareholders. The Company will send this prospectus and the Overseas Letter to the Excluded Shareholders (if any) for their information purposes only.

Qualifying Shareholders who take up their pro rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

For the entitlement of the PRC Southbound Trading Investors to participate in the Rights Issue, please refer to the paragraph headed "PRC Southbound Trading Investors" below.

Distribution of the Prospectus Documents

The Company will only send this prospectus accompanied by the other Prospectus Documents to the Qualifying Shareholders. However, to the extent reasonably practicable and legally permitted, the Company will send this prospectus, for information purposes only, to the Excluded Shareholders (if any). The Company will not send any PALs or EAFs to the Excluded Shareholders (if any).

Distribution of this prospectus and the other Prospectus Documents into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of the Prospectus Documents (including, without limitation, Shareholders and beneficial owners of the Shares, agents, custodians, nominees and trustees) should inform themselves of and observe any such restriction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. Any Shareholder or beneficial owner of the Shares who is in any doubt as to his/her/its position should consult an appropriate professional adviser without delay.

Receipt of this prospectus and/or a PAL and/or an EAF or the crediting of nil-paid Rights Shares to a stock account in CCASS does not and will not constitute an offer in any jurisdiction in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or a PAL and/or an EAF must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of the Prospectus and/or a PAL and/or an EAF or whose stock account in CCASS is credited with nil-paid Rights Shares should not, in connection with the Rights Issue, distribute or send the same in, into or

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from, or transfer the nil-paid Rights Shares to any person in, into or from, any such jurisdiction. If a PAL or an EAF or a credit of nil-paid Rights Shares in CCASS is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not seek to take up the rights referred to in the PAL or transfer the PAL (or apply for any excess Rights Shares under the EAF) or transfer the nil-paid Rights Shares in CCASS unless the Company determines that such actions would not violate any applicable legal or regulatory requirements.

Any person (including, without limitation, agents, custodians, nominees and trustees) who does forward this prospectus or a PAL or an EAF in, into or from any such jurisdiction (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

No part of the Prospectus Documents should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the written consent of the Company.

Beneficial owners of the Shares who reside outside Hong Kong should note that the Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

It is the responsibility of the relevant beneficial owners and/or their respective agents, custodians, nominees or trustees wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Rights of Overseas Shareholders

This prospectus has not been and will not be registered or filed under the securities legislation of any jurisdiction other than (i) Hong Kong; and (ii) the PRC, in accordance with the CSRC Notice with the approval from the Stock Exchange for the listing of the Rights Shares (in nil-paid and fully-paid forms) having been obtained.

Based on the register of members of the Company as at the Record Date, there were six Shareholders with registered addresses located in the PRC (other than the PRC Southbound Trading Investors) and one Shareholder with registered address located in Canada.

The Directors have, in compliance with Rule 13.36(2) of the Listing Rules, made enquiries regarding the legal restrictions under the laws of the relevant overseas jurisdiction and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Rights Shares to Shareholders situated in such overseas jurisdictions.

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The Company has obtained advice from legal advisers in Canada and the PRC, and has been advised that under the applicable legislations of these jurisdictions, either (i) there is no regulatory restriction or requirement of any regulatory body or stock exchange with respect to extending the Rights Issue to the Overseas Shareholders in the relevant jurisdiction; or (ii) the Rights Issue meets the relevant exemption requirements under the relevant jurisdictions so that it would be exempt from obtaining approval or recognition from and/or registration of the Prospectus Documents with the relevant regulatory authorities under the applicable laws and regulations of the relevant jurisdictions. Accordingly, the Rights Issue will be extended to the Overseas Shareholders having registered addresses in Canada and the PRC and such Overseas Shareholders are Qualifying Shareholders. As such, based on the register of members of the Company as at the Record Date, there were no Excluded Shareholders as at the Record Date.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

It is the responsibility of any person (including but not limited to Shareholders and beneficial owners of the Shares, any agent, custodian, nominee or trustee) outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territory or jurisdiction, including obtaining any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction in connection therewith.

Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. Such persons should consult their professional advisers if in doubt.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to the representations and warranties above.

The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so may violate applicable legal or regulatory requirements.

Notwithstanding any other provision in this prospectus or the PAL or the EAF, the Company reserves the right to permit any Shareholder to take up his/her/its rights if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question.

LETTER FROM THE BOARD

PRC Southbound Trading Investors

According to the “CCASS Shareholding Search” available on the websites of the Stock Exchange (<http://www.hkexnews.hk>), as at the Record Date, China Clear held 44,700,000 Shares, representing approximately 1.56% of the total issued Shares. China Clear is a CCASS Participant with HKSCC.

The Directors have made the relevant enquiries and were advised that the PRC Southbound Trading Investors can participate in the Rights Issue through China Clear. China Clear will provide nominee services for the PRC Southbound Trading Investors to (i) sell (in full or in part) their nil-paid Rights on the Stock Exchange under the Shenzhen-Hong Kong Stock Connect; and/or to (ii) subscribe (in full or in part) for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations. However, China Clear will not support applications by such PRC Southbound Trading Investors for excess Rights Shares under the Rights Issue through the Shenzhen-Hong Kong Stock Connect. In addition, according to the PRC legal adviser of the Company, the PRC Southbound Trading Investors (or the relevant China Clear participants as the case may be) whose stock accounts in the China Clear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares on the Stock Exchange via China Clear under the Shenzhen-Hong Kong Stock Connect and can neither purchase any nil-paid Rights Shares nor transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors.

PRC Southbound Trading Investors can subscribe for their pro rata entitlements in the Rights Issue, but may not make any applications for excess Rights Shares.

The PRC Southbound Trading Investors should seek advice from their intermediary (including broker, custodian, nominee or China Clear participant) and/or other professional advisers for details of the logistical arrangements as required by China Clear, and provide instructions with such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the relevant dates stated in the section headed “Expected timetable” in this prospectus and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or China Clear in order to allow sufficient time to ensure that such instructions are given effect.

According to the PRC legal adviser of the Company, as the Prospectus Documents have not been and are not intended to be filed with or approved by the CSRC other than in accordance with the CSRC Notice, the Rights Shares (in both their nil-paid and fully-paid forms) shall not be offered and may not be offered or sold directly or indirectly in the PRC to any person or entity, unless such person or entity is a PRC Southbound Trading Investor (subject to certain limitations in relation to its rights to participate in the Rights Issue as explained in this prospectus) or a Qualifying Shareholder in the PRC, or it has otherwise been exempted by or has obtained the necessary and appropriate approvals from the relevant PRC authorities in accordance with the applicable PRC laws and regulations.

As such, the Prospectus Documents may not be distributed in or forwarded to the PRC or used in connection with any offer for subscription or sale of the Rights Shares (in nil-paid and fully-paid forms) in the PRC, except that the same may be despatched to China Clear in the PRC or the Qualifying Shareholder in the PRC or to the extent in compliance with applicable PRC laws and regulations, and the Prospectus Documents may not be made publicly available in the PRC.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu with the then existing Shares in issue in all respects. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. The aggregate of fractions of the Rights Shares will be sold by the Company on the market if a net premium can be obtained. Any unsold fractions of the Rights Shares will be made available for excess application on the EAF by the Qualifying Shareholders. No odd-lot matching services will be provided.

Procedures for acceptance and payment or transfer

A PAL is enclosed with this prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of the Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PAL, they must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by not later than 4:00 p.m. on Tuesday, 28 August 2018. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to **"CHINA GRAND PHARMACEUTICAL & HEALTHCARE HLDG LTD – RIGHTS ISSUE A/C"** and crossed **"ACCOUNT PAYEE ONLY"**. It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Tuesday, 28 August 2018, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or to transfer part or all of their rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Monday, 20 August 2018 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

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The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferees, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled at or before 4:00 p.m. on Wednesday, 29 August 2018, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other persons to their registered addresses by the Registrar on or before Wednesday, 5 September 2018.

No receipt will be issued in respect of any application monies received.

Application for excess Rights Shares

Application for excess Rights Shares can be made only by Qualifying Shareholders who are not PRC Southbound Trading Investors.

Qualifying Shareholders (other than the PRC Southbound Trading Investors) may apply, by way of excess application, for:

- (i) any unsold entitlements to the Rights Shares of the Excluded Shareholders had they been Qualifying Shareholders;
- (ii) any unsold Rights Shares created by adding together fractions of the Rights Shares; and
- (iii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounees or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares may be made by completing the EAFs and lodging the same with a separate remittance for the excess Rights Shares being applied for.

The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders (other than the PRC Southbound Trading Investors) who apply for them as far as practicable on a pro rata basis by reference to the number of the excess Rights Shares applied for under each application;

LETTER FROM THE BOARD

- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and
- (iv) the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder of the Company or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders’ applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number of Rights Shares minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares applied for under EAFs, the Directors will allocate to each Qualifying Shareholder (other than the PRC Southbound Trading Investors) who applies for excess Rights Shares in full application.

If a Qualifying Shareholder (other than a PRC Southbound Trading Investors) wishes to apply for any Rights Shares in addition to his/her/its provisional allotment, he/she/it must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same with a separate remittance for the amount payable on applications in respect of the excess Rights Shares being applied for with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:00 p.m. on Tuesday, 28 August 2018. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by cashiers orders which must be issued by, licensed bank in Hong Kong and made payable to “**CHINA GRAND PHARMACEUTICAL & HEALTHCARE HLDG LTD – EAF**” and crossed “**ACCOUNT PAYEE ONLY**”. An announcement of results of acceptance of and excess applications for the Rights Issue will be published on the websites of the Stock Exchange and the Company on Tuesday, 4 September 2018.

Shareholders or potential investors should note that the number of excess Rights Shares which may be allocated to them may be different where they make applications for excess Rights Shares by different means, such as making applications on their own names as against through nominees who also hold Shares for other Shareholders/investors. Shareholders and investors with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually holding the Shares through the nominee company. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

All cheques or cashiers orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company.

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Completion and return of the EAF will constitute a warranty and representation of the Company that all registration, legal and regulating requirements of all relevant jurisdictions in connection with the EAF and any acceptance of it, have been, or will be, duly complied with. Completion and return of the EAF together with a cheque or a cashier's order in payment for the excess Rights Shares applied will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions.

Save as described under the paragraph headed "Rights of Overseas Shareholders" above, no action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving a copy of the EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for the excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy itself/himself/herself before acquiring any rights to subscribe for the excess Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept any application for the excess Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on his application is expected to be returned to him in full without interest on or before Wednesday, 5 September 2018. If the number of excess Offer Shares allotted to a Qualifying Shareholder is less than what is applied for, the surplus application monies are also expected to be returned to him without interest on or before Wednesday, 5 September 2018.

If any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below is not fulfilled at or before 4:00 p.m. on Wednesday, 29 August 2018, the Rights Issue will not proceed. Under such circumstances, the monies received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint applicants, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Wednesday, 5 September 2018.

The EAF is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any application monies received.

LETTER FROM THE BOARD

Application for listing

The Company has made an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

The board lot size of nil-paid Rights Shares is the same as that of the fully-paid Rights Shares of 4,000 Shares.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the Registrar will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post, at the Shareholders' own risks to their registered addresses, on Wednesday, 5 September 2018.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Wednesday, 5 September 2018 by ordinary post to the applicants at their own risk to their registered addresses.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

LETTER FROM THE BOARD

Subject to the Rights Shares expected to be taken up by Outwit, East Ocean, Shanghai Finance and Ms Chau Tung pursuant to the Irrevocable Undertakings, there is no minimum amount to be raised under the Rights Issue in order for the Rights Issue to proceed.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

Besides, any Shareholder who applies to take up all or part of his entitlement under the PAL or apply for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code, unless a waiver from the Executive (as defined in the Takeovers Code) has been obtained.

Accordingly, the Rights Issue will be made on the term that the Company will provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (except HKSCC Nominees Limited) for his entitlement under the PAL or for excess Rights Shares under the EAF can be scaled down to a level which does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled or waived (as appropriate):

- (a) the delivery to the Stock Exchange for authorisation and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Board (and all other documents required to be attached thereto) not later than the Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong);
- (b) the posting of the Prospectus Documents to Qualifying Shareholders on the Posting Date;
- (c) the Listing Committee of the Stock Exchange granting, or agreeing to grant (subject to allotment), the listing of and permission to deal in the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions as the Company may accept; and
- (d) compliance with and performance of all undertakings and obligations of Outwit, East Ocean, Shanghai Finance and Ms Chau Tung under the Irrevocable Undertakings in all material respects from the date of the Irrevocable Undertakings up to the latest time for the Rights Issue to become unconditional.

None of the above conditions (except condition (d) which can be waived (conditionally or unconditionally) by the Company) can be waived. If any of the conditions referred to above are not fulfilled or waived at or before 4:00 p.m. on Wednesday, 29 August 2018, the Rights Issue will not proceed.

LETTER FROM THE BOARD

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, Outwit, East Ocean, Shanghai Finance and Ms Chau Tung, together holding an aggregate of 1,391,598, 515 Shares (representing approximately 60.32% of the issued share capital of the Company as at the Latest Practicable Date), had irrevocably and unconditionally undertaken to the Company (i) to accept and take up an aggregate of 333,983,643 Rights Shares (representing approximately 60.32% of the total Rights Shares proposed to be provisionally allotted by the Company) under the Rights Issue; and (ii) that the aggregate of 1,391,598,515 Shares owned by them would remain so owned by them from the date of the Irrevocable Undertakings up to the Record Date.

Set out below are the number of Shares held by each of Outwit, East Ocean, Shanghai Finance and Ms Chau Tung as at the Record Date and the respective number of Rights Shares they have irrevocably and unconditionally undertaken to accept pursuant to their respective Irrevocable Undertaking:

Shareholder	Number of Shares held as at the Record Date	Number of Rights Shares undertaken to be taken up
Outwit	1,311,831,572	314,839,577
East Ocean	24,916,943	5,980,066
Shanghai Finance	13,830,000	3,319,200
Ms Chau Tung	41,020,000	9,844,800

Save for the Irrevocable Undertakings, the Company had not received any information or irrevocable undertaking from any substantial shareholders (as defined in the Listing Rules) of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is subject to the fulfillment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in the Letter from the Board in this prospectus. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming full acceptance by the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue assuming nil acceptance by the Qualifying Shareholders other than Outwit, East Ocean, Shanghai Finance and Ms Chau Tung who will take up the Rights Shares according to the Irrevocable Undertakings, assuming there is no other change in the shareholding structure of the Company since the Latest Practicable Date:

Shareholder	Notes	At the Latest Practicable Date		Immediately after completion of the Rights Issue (assuming full acceptance by the Qualifying Shareholders)		Immediately after completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders other than Outwit, East Ocean, Shanghai Finance and Ms Chau Tung who will take up the Rights Shares according to the Irrevocable Undertakings)	
		No. of Shares	%	No. of Shares	%	No. of Shares	%
Outwit	1	1,311,831,572	56.86	1,626,671,149	56.86	1,626,671,149	61.59
East Ocean	2	24,916,943	1.08	30,897,009	1.08	30,897,009	1.17
Shanghai Finance	2	13,830,000	0.60	17,149,200	0.60	17,149,200	0.65
Ms Chau Tung	1	41,020,000	1.78	50,864,800	1.78	50,864,800	1.93
Tian Wen Hong	3	4,790,000	0.21	5,939,600	0.21	4,790,000	0.18
Sub-total		1,396,388,515	60.53	1,731,521,758	60.53	1,730,372,158	65.52
Public Shareholders		<u>910,596,016</u>	<u>39.47</u>	<u>1,129,139,060</u>	<u>39.47</u>	<u>910,596,016</u>	<u>34.48</u>
Total		<u>2,306,984,531</u>	<u>100.00</u>	<u>2,860,660,818</u>	<u>100.00</u>	<u>2,640,968,174</u>	<u>100.00</u>

Notes:

- Outwit is the beneficial owner of 1,311,831,572 Shares. Grand (Hongkong) International Investments Holdings Limited (“**Grand Investment**”) held 60% equity interests of Outwit, and Ms Chau Tung (the spouse of Mr Hu, who controls and ultimately and beneficially owns China Grand) held the remaining 40% equity interests. Grand Investment is wholly-owned by China Grand.
- Shanghai Finance is a non-wholly controlled subsidiary of China Grand, and East Ocean is a wholly owned subsidiary of Shanghai Finance.
- Dr Shao Yan, a Director, is the spouse of Ms Tian Wen Hong, who is the holder of the above Shares.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is mainly engaged in the research and development, manufacturing and sales of pharmaceutical preparations, pharmaceutical intermediates, specialised pharmaceutical raw materials and healthcare products.

The expected gross proceeds, net proceeds and net price per Rights Shares from the Rights Issue are set out below:

	Assuming full acceptance by the Qualifying Shareholders	Assuming nil acceptance by the Qualifying Shareholders other than Outwit, East Ocean, Shanghai Finance and Ms Chau Tung who will take up the Rights Shares according to the Irrevocable Undertakings
Gross proceeds (approx.)	HK\$2,879.12 million	HK\$1,736.71 million
Net proceeds (approx.)	HK\$2,877.12 million	HK\$1,734.71 million
Net price per Rights Share (approx.)	HK\$5.20	HK\$5.19

The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$2,800.00 million for paying the Company's funding contribution in relation to the Company's proposed acquisition of Sirtex ("**Sirtex Acquisition**") in full; and
- (ii) approximately HK\$77.12 million for paying the transaction costs associated with the Sirtex Acquisition, including but not limited to:
 - (a) as to approximately HK\$45.58 million for the Company's share of the reimbursement fee and break fee payable by Sirtex to Varian Medical Systems, Inc. ("**Varian**") in connection with the termination of Varian's proposed acquisition of Sirtex as a result of the Sirtex Acquisition;
 - (b) as to HK\$31.32 million for the finance costs (including handling charges and interests) arising from the banking facilities obtained for the purpose of the Sirtex Acquisition; and
 - (c) the remainder for professional fees incurred in relation to the Sirtex Acquisition.

Please refer to the Company's announcement dated 14 June 2018 and the circular dated 26 July 2018 for further details about the Sirtex Acquisition.

As disclosed in the Company's announcement dated 14 June 2018, the Company intended to finance its funding contribution for the Sirtex Acquisition from a debt facility, internal resources, and/or other financial resources.

LETTER FROM THE BOARD

The Rights Issue will allow the Company to pay the consideration and the related transaction costs associated with the Sirtex Acquisition with the proceeds from the Rights Issue. As a result, the Company will be able reduce the extent of the utilisation of the debt facilities available to it, and thus decreasing the Company's interest costs.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue may not be sufficient to satisfy the funding of the consideration and the transaction costs associated with the Sirtex Acquisition. Under such circumstances, the Company will prioritise using the net proceeds from the Rights Issue for paying the Company's funding contribution in relation to the Sirtex Acquisition, and consider meeting any shortfall from available debt facilities, internal resources, and/or other financial resources.

The Board believes that the Rights Issue will also enable the Group to strengthen its capital base and to enhance its financial position, and allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interest of the Company and the Shareholders as a whole.

In addition, having considered the expected timing for the settlement of the funding contribution for the Sirtex Acquisition, and the terms of the Rights Issue and the Subscription Price, the Board also considers it in the interest of the Company to proceed with the Rights Issue on a non-underwritten basis.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities in the 12 months immediately prior to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximate)	Intended use of proceeds	Actual use of the proceeds
10 October 2017	Issue of 47,750,000 new Shares at the subscription price of HK\$2.24 per Share under general mandate	HK\$107.0 million	Repayment of bank loans: HK\$90.0 million Repayment of interest of convertible bonds: HK\$9.9 million Salary and wages: HK\$1.7 million Office rent: HK\$0.8 million Audit fees and other professional expenses: HK\$3.2 million Other recurring operating expenses: HK\$1.4 million	Used as intended
24 May 2018	Issue of 181,069,959 new Shares at the subscription price of HK\$4.20 per Share under specific mandate	HK\$760.5 million (expected)	As consideration shares for the settlement of part of the consideration for an acquisition: HK\$760.5 million	Yet to be completed
24 May 2018	Issue of 228,148,148 new Shares at the subscription price of HK\$5.00 per Share under specific mandate	HK\$1,139.7 million (expected)	Cash settlement of part of the consideration for an acquisition: HK\$1,139.7 million	Yet to be completed
1 June 2018	Issue of 237,416,904 new Shares at the subscription price of HK\$5.20 per Share under specific mandate	HK\$1,234.6 million (expected)	Cash settlement of part of the consideration for an acquisition: HK\$1,234.6 million	Yet to be completed; subject to shareholders' approval

Save as disclosed above, the Company has not conducted any equity fund raising activities in the 12 months immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

TAXATION

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendices to this prospectus.

Yours faithfully,
For and on behalf of the Board
**China Grand Pharmaceutical and Healthcare
Holdings Limited**
Liu Chengwei
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Group for each of the three years ended 31 December 2017 can be found in the annual reports of the Company for the financial years ended 31 December 2015 (pages 25 to 111), 2016 (pages 31 to 129) and 2017 (pages 33 to 131) respectively.

The abovementioned financial information has been published on both the websites of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinagrandpharm.com/html/ir_reports.php). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for each of three financial years ended 2017.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group had total outstanding borrowings of approximately HK\$3,050.57 million, comprising bank loans of approximately HK\$3,029.24 million, a borrowing of approximately HK\$21.33 million from an independent third party and amount due to immediate holding company of approximately HK\$17.54 million. Certain bank loans are secured by the pledge of certain prepaid lease payments, buildings and pledged bank deposits of the Group. The remaining bank loans are guaranteed by China Grand. The Group leased certain of its manufacturing equipment under finance lease, and the Group's finance lease liabilities were approximately HK\$104.50 million. The Company also issued a convertible bond with the principal amount of HK\$300 million, which entitles the holder to convert to the Company's ordinary share at a conversion price of HK\$1.35 and maturity on 17 October 2019.

Disclaimers

Save as aforesaid above or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in ordinary course of business, at the close of business on 30 June 2018, the Group did not have any outstanding debts securities, term loans, borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptances credits, hire purchase commitments, mortgages, charges, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other contingent liabilities.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 June 2018, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the cash flows generated from the operating activities, the financial resources presently available to the Group, and the net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements and for the period up to 12 months from the date of this prospectus in the absence of unforeseen circumstances.

4. MATERIAL ACQUISITIONS SINCE THE LATEST PUBLISHED AUDITED ACCOUNTS

Since 31 December 2017, being the date of the latest published audited accounts of the Company, the Group has entered into the following material acquisitions:

- (a) On 24 May 2018, the Company, GL SAINO Investment Limited (“**GL Saino**”), and Taiwan Tung Yang International Company Limited (台灣東洋國際股份有限公司) (“**Taiwan Tung Yang**”) entered into an acquisition agreement, pursuant to which GL Saino conditionally agreed to sell and the Company conditionally agreed to acquire 100% of the issued shares of Taiwan Tung Yang at the aggregate consideration of RMB1,540 million (see the Company’s announcement dated 24 May 2018 and the circular dated 12 July 2018 for details).
- (b) On 31 May 2018, Grand Pharmaceutical (China) Company Limited (遠大醫藥(中國)有限公司) (an indirect non-wholly owned subsidiary of the Company), Winguide Far East Limited (“**Winguide Far East**”) and Shanghai Winguide Huangpu Pharmaceutical Company Limited (上海輝佳黃浦制藥有限公司) (“**Shanghai Winguide**”), among others, entered into an acquisition agreement, pursuant to which Winguide Far East conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in Shanghai Winguide at the aggregate consideration of approximately RMB1,551.3 million (see the Company’s announcement dated 1 June 2018 for details).
- (c) On 14 June 2018, Sirtex Medical Limited (“**Sirtex**”), CDH Genetech Limited (“**CDH**”) and the Company entered into an scheme implementation deed, pursuant to which CDH and the Company conditionally agreed to jointly acquire 100% of the issued shares in Sirtex at the aggregate consideration of approximately A\$1,900,204,387. (see the Company’s announcement dated 14 June 2018 and the circular dated 26 July 2018 for details).

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of Taiwan Tung Yang, Shanghai Winguide and Sirtex (if any) will not be varied in consequence of the above acquisitions.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited financial statements of the Group were made up.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As stated in the Company's 2017 annual report, the global pharmaceutical market in 2017 recorded sales of US\$1.13 trillion in 2017, according to TrendForce, a global market research organisation, representing a year-on-year growth of only 1.9%, and a CAGR of 4.9% over five years.

In the United States, the world's largest pharmaceutical market, 46 new drugs was approved in 2017, a record high since 1996. More generic drugs entered the market, with 765 generic drugs approved in the first 11 months of 2017, representing a significant increase of over 130 approvals as compared with the number for the fully year of 2016. These figures revealed the direction of policy change in the market, that is, a focus on drug innovation and control of drug prices.

The main theme of the government's policies in 2017 with respect to the Chinese pharmaceutical market, which is the second largest in the world, was also stringent monitoring and encouragement of innovation in pharmaceuticals and medical devices.

The year of 2017 is the first year of policy reform in the Chinese pharmaceutical market, and also the first year of industry innovation. Firstly, in terms of new policies, the regulatory authorities in the medical and health industry in China issued a total of 1,562 policy documents throughout 2017, of which 134 documents were issued by China Food and Drug Administration (the "CFDA"), representing a year-on-year increment of 81%, covering five key sectors in the industry, including drug research and development, production, circulation, usage and payment. These policies included the issuance of the latest version of National Medical Reimbursement List in 2017 and the Chinese Medicines Law, the establishment of a pilot hierarchical diagnosis system in selected cities, the abolishment of markups on drug prices, medical two-ticket system and priority assessment arrangements to encourage innovation of new drugs. With respect to new drugs approval, the CFDA basically completed about 22,000 registration applications accumulated since the peak in 2015 by the end of 2017. The CFDA also approved the marketing of the third-generation target-oriented lung cancer drug in China 18 months after the approval of the drug by the Food and Drug Administration in the United States

According to EvaluatePharm, the global orphan drugs market is growing at much faster pace than the general pharmaceutical market, with an average CAGR of 7.1% over the past decade, which more than doubled the growth rate of the sales of prescription drugs in the same period (5.3%). The global sales of orphan drugs in 2008 amounted to US\$60 billion, accounting for 10.1% of the total sales of prescription drugs. According to the estimation of EvaluatePharm, this figure will reach US\$209 billion by 2022, accounting for 21.4% of the total sales of prescription drugs. Therefore, it will be a period of rapid development for orphan drugs in the next five years in the global market.

According to the data from menet.com, a Chinese Pharmaceutical website, in 2016, sales of medicines through the hospital channel in China accounted for 77.4% of the pharmaceutical market, while sales through pharmacies accounted for 22.2%, and online pharmacies accounted for only 0.3%. According to the experience of global development, it is an inevitable trend to separate prescription from dispensing. In the pharmaceutical market of the United States, approximately 60-70% of drugs are sold through non-hospital channels, and about 70% of prescription drugs are sold by non-hospital channels in the Japanese pharmaceutical market. Therefore, a judgment can be made that the sales channels of the Chinese pharmaceutical market may experience material changes both in terms of national policies and actual market development. Sales from non-hospital channels or low-end markets are likely to become new growth points for drug sales.

After years of unremitting efforts, the Group has kept abreast of the market trend both in development strategy planning and implementation of specific tasks, achieving good operating results and performance. In respect of development strategy, the Group has developed from the strategy of two-front structure industry chain of pharmaceutical preparation and pharmaceutical ingredients to the strategy of being a market leader with its exclusive and core innovative products today. In 2017, the full staff of employees led by the management team made a lot of effort and investment into product development, introduction of acquisitions, improvement of production technology, as well as product quality enhancement, academic-based promotion, energy conservation and recycling, improvement of production environment and fulfilling corporate social responsibilities, all of which have laid a good foundation for maintaining and ensuring the rapid development of the enterprise.

In order to consolidate and strengthen the established leading position in certain segments in the pharmaceutical market in China, the Group has made specific plans and deployment in the following areas:

- Emphasise on research and development and introduction of innovative drugs and medical devices, and get prepared for a booming period in the innovative pharmaceutical market in China.
- Complete the planning and construction of the second production base for biotechnology products, by fully utilise the Group's existing advantages and the opportunities in international cooperation, develop and introduce internationally advanced technologies and products, provide the Group with favorable conditions for the breakthroughs in the area of biological technology.
- Expedite the completion of consistency evaluation of solid preparations and explore bigger market for the core products of the Group.
- Accelerate the process from development to market for orphan drugs, by taking advantage of existing development technology and cooperation as well as the government's favorable policies toward this area, with a view to helping the patients of orphan diseases to get earlier treatments.
- Make further improvements on the levels of production technology and production management, so as to improve product quality, product registration and certification for the achieving sales in the international market.

- Proactively respond to and comply with the new national laws and regulations on drug sales, establish the academic-based promotional system, strengthen the strategy of brand product, value and explore the primary medicine market, with a view to ensuring that the Company's quality and effective drugs can be recognized and welcomed by the population of doctors and patients.

In the next few years, the Chinese pharmaceutical market will experience material changes with the progressive implementation of national reforms and innovation policies. By unremittingly following the path of product and technology innovation and regarding product quality as its lifeline, the Group will, in good faith, provide high-quality, genuine and effective pharmaceutical products for doctors and patients. While adhering to the initial objective and corporate vision, the Group is committed to becoming a pharmaceutical enterprise which is respected by patients and doctors, redounding to the society, maintaining stable growth of business for the enterprise and bringing better benefits and return to the investors.

For illustrative purposes only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the “Unaudited Pro Forma Financial Information”) after completion of the Rights Issue. Although reasonable care has been exercised in preparing the Unaudited Pro Forma Financial Information, Shareholders who read the information below should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group’s financial results and positions for the financial periods concerned.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma financial information of the Group attributable to equity shareholders of the Company is prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the basis of six Rights Shares for every twenty-five existing Shares held by the Qualifying Shareholders on the Record Date on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 31 December 2017.

The unaudited pro forma financial information of the Group is prepared for illustrative purposes only, based on the judgments and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group following the Rights Issue as at the date to which it is made up or at any future date.

The unaudited pro forma financial information of the Group is prepared based on the unaudited consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2017 and adjusted to reflect the effect of the Rights Issue:

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as of 31 December 2017 and prior to completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company immediately after completion of the Rights Issue
HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	(Note 3)	(Note 4)
Based on 553,676,287 Rights Shares at subscription price of HK\$5.20 per Rights Share				
846,629	2,877,117	3,723,746	HK\$0.37	HK\$1.30

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 is calculated based on the audited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2017 of approximately HK\$2,233,886,000 after deducting goodwill and intangible assets of approximately HK\$511,539,000 and HK\$875,718,000 as at 30 December 2017 respectively as extracted from the published annual report of the Company for the year ended 31 December 2017. The goodwill represented the amount arose from the acquisition of pharmaceutical business in the PRC. The intangible assets represented the pharmaceutical technology, patent rights, trademark and capitalised development cost. It is the net carrying amount amortised from the date of acquisition to 31 December 2017 less the impairment loss.
2. The estimated net proceeds from the Rights Issue of the Rights Shares of approximately HK\$2,877,117,000 are based on the maximum number of 553,676,287 Rights Shares to be issued at the subscription price of HK\$5.20 per Rights Share and after deduction of estimated related expenses of approximately HK\$2,000,000.
3. The number of Shares used for the calculation of the unaudited consolidated net tangible assets per Share attributable to owners of the Company as of 31 December 2017 prior to the completion of the Rights Issue is based on 2,306,984,531 Shares in issue as at the Record Date.
4. The number of Shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to owners of the Company as of 31 December 2017 upon completion of the Rights Issue is calculated based on 2,860,660,818 Shares in issue upon completion of the Rights Issue, which comprise the existing 2,306,984,531 Shares in issue as at the Record Date and the maximum number of 553,676,287 Shares to be issued pursuant to the Rights Issue.
5. As at the date of this prospectus, the Company has outstanding convertible bonds which are held by CDH Giant Health I Limited and convertible into a maximum of 222,222,222 new Shares at the conversion price of HK\$1.35 per Shares (subject to adjustment). CDH Giant Health I Limited has undertaken not to exercise the conversion right attaching to the convertible bonds from 4 July 2018 (being the date of the announcement of the Rights Issue) to the Record Date.
6. No adjustment other than those adjusted above has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2017.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Board of Directors of China Grand Pharmaceutical and Healthcare Holdings Limited

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statements of adjusted consolidated net tangible assets of the Group as at 31 December 2017 and related notes as set out on pages II-1 to II-2 of the prospectus issued by the Company dated 14 August 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors to illustrate the impact of the rights issue in the proportion of six rights shares for every twenty-five existing shares held by qualifying shareholders on the record date at HK\$5.20 per rights share (the “**Rights Issue**”) on the Group’s financial position as at 31 December 2017 as if the Rights Issue had taken place at 31 December 2017. As part of this process, information about the Group’s consolidated net tangible assets attributable to owners of the Company has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 31 December 2017, on which an annual report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for the purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming no further issue of the Shares from the Latest Practicable Date up to completion of the Rights Issue) was and will be as follows:

As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares	<u>1,000,000,000</u>

Issued and fully paid or credited as fully paid:

<u>2,306,984,531</u>	Shares	<u>23,069,845.31</u>
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Immediately after completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares	<u>1,000,000,000</u>

Issued and fully paid or credited as fully paid:

2,306,984,531	Shares in issue as at the Latest Practicable Date	
<u>553,676,287</u>	Rights Shares to be allotted and issued under the Rights Issue	5,536,762.87
<u>2,860,660,818</u>	Shares in issue immediately after completion of the Rights Issue	<u>28,606,608.18</u>

All the Shares in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue, including the right to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

As at the Latest Practicable Date, the Company had outstanding Convertible Bonds which were held by CDH Giant Health I Limited and convertible into a maximum of 222,222,222 new Shares at the conversion price of HK\$1.35 per Shares (subject to adjustment). Save for the Convertible Bonds, as at the Latest Practicable Date, there were no outstanding convertible securities, options or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares and rights over Shares.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Name of the company in which the shares was held	Number of the shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Shao Yan (<i>Note</i>)	The Company	4,790,000 (L)	Interest in spouse	0.21

(L) denotes long position

Note: Dr Shao Yan is the spouse of Ms Tian Wen Hong who is the holder of the above Shares. By virtue of the SFO, Dr Shao Yan is deemed to be interested in such 4,790,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Substantial shareholders' interests

As at the Latest Practicable Date so far as is known to any Director or chief executive of the Company, other than the interests disclosed above in respect of certain directors and chief executive of the Company, the interests and short positions of persons in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of Shareholders	Notes	Number of the shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Outwit	1	1,464,809,572 (L)	Beneficial owner	63.49(L)
Grand (Hongkong) International Investments Holdings Limited (“Grand Investment”)	1	1,464,809,572 (L)	Interest of controlled corporation	63.49(L)
Shanghai Finance	2	504,311,995 (L)	Beneficial owner/ Interest of controlled corporation	21.86(L)
China Grand	1&2	1,969,121,567 (L)	Interest of controlled corporation	85.36(L)
Mr Hu	1&2&3	2,010,141,567 (L)	Interest of controlled corporation	87.13(L)
Ms Chau Tung	1&2&3	2,010,141,567 (L)	Beneficial owner/ Interest in spouse	87.13(L)
CDH Giant Health I Limited (“CDH Giant”)	4	330,630,222 (L) 108,408,000 (S)	Beneficial owner	14.33 (L) 4.70 (S)
CDH Fund V, L.P. (“CDH Fund”)	4	330,630,222 (L) 108,408,000 (S)	Interest of controlled corporation	14.33 (L) 4.70 (S)
CDH V Holdings Company Limited (“CDH V”)	4	330,630,222 (L) 108,408,000 (S)	Interest of controlled corporation	14.33 (L) 4.70 (S)
China Diamond Holdings V Limited (“China Diamond V”)	4	330,630,222 (L) 108,408,000 (S)	Interest of controlled corporation	14.33 (L) 4.70 (S)
China Diamond Holdings Company Limited (“China Diamond”)	4	330,630,222 (L) 108,408,000 (S)	Interest of controlled corporation	14.33 (L) 4.70 (S)

Name of Shareholders	Notes	Number of the shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Assicurazioni Generali S.p.A ("Assicurazioni")	6	281,875,959(L)	Interest of controlled corporation	12.22(L)
Mr Li Zhenfu	7	281,875,959(L)	Interest of controlled corporation	12.22(L)
Lion River I N.V.	5&6	281,875,959(L)	Interest of controlled corporation	12.22(L)
GL Capital Management GP L.P ("GL Management (L.P)")	5	181,069,959(L)	Interest of controlled corporation	7.85(L)
GL Capital Management GP Limited ("GL Management (Limited)")	5	181,069,959(L)	Interest of controlled corporation	7.85(L)
GL China Opportunities Fund L.P. ("GL Opportunities")	5	181,069,959(L)	Interest of controlled corporation	7.85(L)
GL Partners Capital Management Ltd. ("GL Partners")	5	181,069,959(L)	Interest of controlled corporation	7.85(L)
GL SAINO Investment Limited ("GL Saino")	5	181,069,959(L)	Beneficial owner	7.85(L)

Note:

1. Outwit is the beneficial owner of 1,311,831,572 Shares, and is the grantor of two put options pursuant to which the option holders have the right to sell 108,408,000 and 44,570,000 Shares respectively to Outwit. Grand Investment held 60% equity interests of Outwit, and Ms Chau Tung, spouse of Mr. Hu, held the remaining 40% equity interests. Grand Investment is therefore deemed to be interested in 1,464,809,572 Shares pursuant to the SFO.
2. Grand Investment is wholly-owned by China Grand. Shanghai Finance, a non-wholly owned subsidiary of the China Grand, is the beneficial owner of 13,830,000 Shares and an aggregate of 465,565,052 Shares will be allotted and issued to Shanghai Finance upon completion of the subscription agreements dated 24 May 2018 and 31 May 2018, respectively. East Ocean, a wholly owned subsidiary of Shanghai Finance, also holds 24,916,943 Shares. China Grand is therefore deemed to be interested in 1,969,121,567 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 2,010,141,567 Shares pursuant to the SFO.
4. CDH Giant is the beneficial owner of 330,630,222 Shares and also the beneficial owner of a put option granted by Outwit pursuant to which the CDH Giant has the right to sell 108,408,000 Shares to Outwit. CDH Giant is wholly-owned by CDH Fund, and pursuant to the SFO CDH Fund is therefore deemed to be interested in the 330,630,222 Shares and also held a short position of 108,408,000 Shares as stated above. CDH Fund is controlled by CDH V, which in turn held as to 80% by China Diamond V. China Diamond V is in held as to 100% by China Diamond.

5. GL Healthcare Investment LP (“**GL Healthcare**”) is the beneficial owner of 44,570,000 Shares. GL Healthcare is a limited partnership incorporated in Canada. The general partner of GL Healthcare is GL Capital Management GP II B.C. 2 Ltd., which is wholly-owned by GL Management (Limited). GL Management (Limited) is in turn held as to 49% by Lion River I N.V. Pursuant to the SFO these companies are therefore deemed to be interested in the 44,570,000 Shares.

GL China Long Equity Opportunities Fund SPV LP (“**GL Long Equity (SPV)**”) is the beneficial owner of 56,236,000 Shares. GL Long Equity (SPV) is a limited partnership incorporated in Canada. Lion River I N.V. owns 94.47% interests in GL China Long Equity Opportunities Fund LP., which in turn owns 80.13% interests in GL Long Equity (SPV). Pursuant to the SFO these companies are therefore deemed to be interested in the 56,236,000 Shares.

Pursuant to an acquisition agreement dated 24 May 2018 entered into between, among others, GL Saino as vendor and the Company as purchaser in relation to the acquisition of 100% of the issued shares of Taiwan Tung Yang International Company Limited, part of the consideration will be settled by the allotment and issue of 181,069,959 Shares to GL Saino, which is still subject to the approval from Shareholders as at the Latest Practicable Date. GL Saino is wholly-owned by GL Opportunities. The general partner of GL Opportunities is GL Management (L.P) and is in turn wholly-owned by GL Management (Limited). GL Management (Limited) is held as to 49% by Lion River I N.V. Pursuant to the SFO these companies are therefore deemed to be interested in the 181,069,959 Shares.

6. As stated above, Lion River I N.V. is deemed to be interested in an aggregate of 281,875,959 Shares. Lion River I N.V. is wholly-owned by Assicurazioni. Pursuant to the SFO Assicurazioni is therefore deemed to be interested in the 281,875,959 Shares.
7. Mr Li Zhenfu owns 70% interests in GL Partners, which in turn owns 51% interests in GL Management (Limited). As stated above, GL Management (Limited) is indirectly interested in 225,639,959 Shares, and pursuant to the SFO Mr Li Zhenfu is therefore deemed to be interested in the 225,639,959 Shares. Mr Li Zhenfu also wholly-owns GL China Opportunities Carry GP Limited, which in turn wholly-owns GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd. GL Capital Management Long Equity Opportunities GP B.C. 1 Ltd. is the general partner of GL Long Equity (SPV), which is the beneficial owner of 56,236,000 Shares. Pursuant to the SFO Mr Li Zhenfu is therefore also deemed to be interested in the 56,236,000 Shares and in aggregate, 281,875,959 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

(c) Directors’ positions in other companies

As at the Latest Practicable Date, save for Mr Liu Chengwei (who is a director of China Grand) and Dr Shao Yan (who is a director of Outwit, a controlling shareholder of the Company), none of the Directors was also a director or employee of a company which had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Division 2 and 3 of Part XV of SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and proposed directors has, or had had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this prospectus:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

The above expert has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of their respective reports and references to their respective names in the form and context in which they appear.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or any right or option, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which have been, since 31 December 2017, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) The acquisition agreement dated 9 October 2017 and entered into between the Company, Mr Huang Xiaohua (黃小華) (“**Mr Huang**”) and Xian Beilin Pharmaceutical Company Limited (西安碑林藥業股份有限公司) (“**Xian Beilin**”), pursuant to which the Company agreed to acquire approximately 22.8% of the share capital in Xian Beilin for a consideration of RMB131,512,000.
- (b) The subscription agreement dated 9 October 2017 entered into between the Company and Mr Huang, pursuant to which Mr Huang conditionally agreed to subscribe for 47,750,000 Shares at the subscription price of HK\$2.24 per Share.
- (c) The joint venture agreement dated 13 November 2017 entered into between the Company and East Ocean, pursuant to which they agreed to establish a joint venture in Hong Kong with a total investment of approximately US\$15 million, with the Company contributing not more than approximately US\$7.485 million and obtaining not more than 49.9% equity interests in the joint venture.
- (d) The acquisition agreement dated 24 May 2018 entered into between the Company, GL SAINO Investment Limited (“**GL Saino**”) and Taiwan Tung Yang International Company Limited (“**Taiwan Tung Yang**”), pursuant to which GL Saino conditionally agreed to sell and the Company conditionally agreed to acquire 100% of the issued shares of Taiwan Tung Yang at the aggregate consideration of RMB1,540 million.
- (e) The subscription agreement dated 24 May 2018 entered into between the Company and Shanghai Finance, pursuant to which Shanghai Finance conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 228,148,148 Shares at the subscription price of HK\$5.00 per Share.
- (f) The acquisition agreement dated 31 May 2018 entered into between, among others, Grand Pharmaceutical (China) Company Limited (遠大醫藥(中國)有限公司) (an indirect non-wholly owned subsidiary of the Company), Winguide Far East Limited (“**Winguide Far East**”) and Shanghai Winguide Huangpu Pharmaceutical Company Limited (上海運佳黃浦制藥有限公司) (“**Shanghai Winguide**”), pursuant to which Winguide Far East conditionally agreed to sell and the Company conditionally agreed to acquire 100% equity interests in Shanghai Winguide at the aggregate consideration of approximately RMB1,551.3 million.

- (g) The subscription agreement dated 31 May 2018 entered into between the Company and Shanghai Finance, pursuant to which Shanghai Finance conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 237,416,904 Shares at the subscription price of HK\$5.20 per Share.
- (h) The scheme implementation deed dated 14 June 2018 entered into between Sirtex Medical Limited (“**Sirtex**”), CDH Genetech Limited (“**CDH**”) and the Company, pursuant to which CDH and the Company conditionally agreed to jointly acquire 100% of the issued shares in Sirtex at the aggregate consideration of approximately A\$1,900,204,387.

8. LITIGATION

As at the Latest Practicable Date, none of the companies in the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any company in the Group.

9. EXPENSES

The expenses in connection with the Rights Issue, including financial, legal and other professional advisory fees, printing and translation expenses are estimated to be approximately HK\$2 million and will be payable by the Company.

10. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Particulars of the Directors

Name	Correspondence address
<i>Executive Directors</i>	
Mr Liu Chengwei	Unit 3302, The Center, 99 Queen’s Road Central, Hong Kong
Mr Hu Bo	Unit 3302, The Center, 99 Queen’s Road Central, Hong Kong
Dr Shao Yan	Unit 3302, The Center, 99 Queen’s Road Central, Hong Kong
Mr Niu Zhanqi	Unit 3302, The Center, 99 Queen’s Road Central, Hong Kong

Independent non-executive Directors

Ms So Tosi Wan, Winnie Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Dr Pei Geng Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Senior management

Mr Foo Tin Chung, Victor Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Mr Xie Guofan Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Mr Shi Xiaofeng Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Mr Zhang Bangguo Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Mr Feng Yonghua Unit 3302, The Center, 99 Queen's Road Central, Hong Kong

Biography of Directors and Senior Management*Executive Directors*

Mr Liu Chengwei, aged 45, was appointed as an executive Director in July 2008. Mr Liu is the Chairman of the Company and is a director of Grand Pharmaceutical (China) Co., Ltd. ("**Grand Pharm (China)**"), the principal subsidiary of the Company. Mr Liu has over 10 years of financial and management experience in the PRC. Mr Liu is currently a director of China Grand. Mr Liu worked for General Electric Company's China subsidiaries for 5 years before joining China Grand in 2001. Mr Liu holds a bachelor degree in International Economics from Peking University and a master degree in Business Administration from China Europe International Business School.

Mr Hu Bo, aged 34, was appointed as an executive Director in July 2008. Mr Hu has over 10 years of experience in network project management and property management. Mr Hu is currently the deputy general manager of a real estate company in the PRC. Mr Hu holds a bachelor degree in Applied Science & Engineering, Electrical Engineering from University of Toronto, and a master degree in Business Administration from New York Institute of Technology. Mr Hu is a nephew of Mr Hu Kaijun, the beneficial owner of Outwit, which is the controlling shareholder of the Company.

Dr Shao Yan, aged 55, was appointed as an executive Director in October 2008. Dr Shao joined the Company in March 2008 and is the Chief Executive Officer of the Company. Dr Shao is responsible for overseeing the entire operations, investing and financing, merger and acquisition and investor relationship management of the Company. Dr Shao has over 20 years of experience in corporate management and venture capital investment. Dr Shao holds a master degree in Business Administration from Guanghua School of Management of Peking University and a doctor degree (PhD) in Management from School of Politics and International Studies of Beijing Normal University.

Dr Niu Zhanqi, aged 51, was appointed as an executive Director in November 2016. Dr Niu holds a bachelor's degree in science from Nankai University and a doctoral degree (PhD) in pharmaceuticals from Shenyang Pharmaceutical University. Dr Niu has more than 10 years' experience in pharmaceutical research and development. He is currently an executive president of the Pharmaceutical Management Headquarters of China Grand. He has also been a director of Huadong Medicine Company Limited ("**Huadong Medicine**"), which is listed on the Shenzhen Stock Exchange (stock code: 000963), since June 2016. Huadong Medicine is owned as to approximately 41.77 % by China Grand and is therefore a connected person (as defined in the Listing Rules) of the Company.

Independent Non-executive Directors

Ms So Tosi Wan, Winnie, aged 56, was appointed as an independent non-executive Director in March 2005. Ms So is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. She is a partner of an accounting firm.

Dr Pei Geng, aged 58, was appointed as an independent non-executive Director in May 2011. Dr Pei holds a bachelor degree in Medicine and clinically became a neurosurgeon after graduation from Beijing Capital University of Medicine, China. Dr Pei also holds a licentiate degree in Medical Sciences from Uppsala University, Sweden and a PhD degree in neuroscience from University of Würzburg, Germany. Dr Pei is currently working in Multiway Trading Intl., USA and its Beijing branch.

Senior management

Mr Foo Tin Chung, Victor, aged 49, joined the Company in September 2011 as a company secretary of the Company. Mr Foo holds a bachelor degree in Accounting and Information System in the University of New South Wales in Australia and a master degree in Business Administration in Australia Graduate School of Management. He is a member of the Australia Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr Foo was an independent non-executive director of Shandong Luoxin Pharmacy Stock Company Limited (former stock code: 8058) which has withdrawn from listing on The Stock Exchange of Hong Kong Limited in June 2017. Mr Foo was an executive director of Jinheng Automotive Safety Technology Holdings Limited (stock code: 872), an independent non-executive director of Ngai Shun Holdings Limited (stock code: 1246) and Sino Haijing Holdings Limited (stock code: 1106), and a company secretary of Huisheng International Holdings Limited (stock code: 1340), and has resigned from the positions on September 2014, July 2015, June 2016 and September 2017, respectively. All these companies are listed on The Stock Exchange of Hong Kong Limited.

Mr Xie Guofan, aged 67, joined the principal subsidiary Grand Pharm (China) since 1970 and was appointed as its director since 1994. Mr Xie is responsible for overseeing entire operations and management of Grand Pharm (China), and has over 30 years of experience in corporate management and pharmaceutical manufacturing. Mr Xie holds a practicing pharmacist license in the PRC.

Mr Shi Xiaofeng, aged 51, joined the principal subsidiary Grand Pharm (China) since 2003 and was appointed as its director and general manager. Mr Shi is responsible for overseeing the entire operations and management of Grand Pharm (China), and has over 20 years of experience in the pharmaceutical industry management. Mr Shi used to work for Schering-Plough and Pharmacia as senior management before joining the Group. Mr Shi holds a medical degree from Medical School of Southeast University and a EMBA degree at China Europe International Business School.

Mr Zhang Bangguo, aged 50, joined the principal subsidiary Grand Pharm (China) since 1989 and used to work for it as a senior management, was currently appointed as director of Zhejiang Xianju Xianle Pharmaceutical Company Limited (“**Zhejiang Xianle**”), has over 20 years of experience in pharmaceutical industry and sales and marketing. Mr Zhang is responsible for overseeing the entire operation and management of Zhejiang Xianle. Mr Zhang holds a MBA degree at Huazhong University of Science & Technology and holds a practicing pharmacist license in the PRC.

Mr Feng Yonghua, aged 50, joined Zhejiang Xianle since 2002 and currently was appointed as its general manager. Mr Feng is responsible for overseeing the entire operation of Zhejiang Xianle, and he has over 20 years of experience of general management. Mr Feng holds a practicing pharmacist license in the PRC.

11. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business in Hong Kong	Unit 3302, The Center 99 Queen’s Road Central Hong Kong
Principal bankers	HSBC 1 Queen’s Road Central Hong Kong
	China Merchants Bank 21/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
	Bank of China Bank of China Tower 1 Garden Road Central Hong Kong

Auditors	HLB Hodgson Impey Cheng 31/F Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Principal share registrar and transfer office in Bermuda	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorised representatives	Mr Liu Chengwei Mr Foo Tin Chung, Victor
Legal advisers	<i>As to Hong Kong law</i> Loeb & Loeb LLP 21st Floor CCB Tower 3 Connaught Road Central Hong Kong

12. LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

13. RESTRICTION AFFECTING REMITTANCE OF PROFIT AND CAPITAL

A part of the Group's revenues and operating expenses are recognised in the PRC and denominated in RMB, which is currently not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of the PRC. Under the PRC's existing foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the State Administration for Foreign Exchange Bureau by complying with certain procedural requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of the PRC to pay capital account items.

Save as disclosed above, the Directors are not aware of any other restriction affecting the remittance of profits or repatriation of capital of the Group into Hong Kong from outside Hong Kong.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus, together with copies of the PAL and the EAF and the written consent referred to in the paragraph headed "Expert and consent" in this Appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. GENERAL

- (a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is located at Unit 3302, The Center, 99 Queen's Road Central, Hong Kong.
- (c) As at the date of this prospectus, the Board comprises of four executive Directors, namely, Mr Liu Chengwei, Mr Hu Bo, Dr Shao Yan and Dr Niu Zhanqi, and two independent non-executive Directors, namely, Ms So Tosi Wan, Winnie and Dr Pei Geng.
- (d) The company secretary of the Company is Mr Foo Tin Chung, Victor, who is a member of the Australia Society of Certified Practising Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (f) This prospectus is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's principal office in Hong Kong during the normal business hours on business days from the date of this prospectus up to 30 August 2018:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) the material contracts referred to in paragraph 7 headed "Material contracts" in this Appendix;
- (c) the annual reports of the Company for each of the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017;
- (d) the report from HLB Hodgson Impey Cheng on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;
- (e) the written consent referred to in the paragraph headed "Expert and consent" in this Appendix;
- (f) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A which has been issued since the date of the latest published audited accounts; and
- (g) this prospectus, EAF and PAL.