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CGE HEALTHCARE

OFFERING QUALITY PRODUCTS
HONORING CODE OF ETHICS

2018 INTERIM REPORT

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is principally engaged in the manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials and other products. The core pharmaceutical and medical devices products of the Group mainly applied in the cerebro-cardiovascular emergency used and Ear, Nose, Throat & Eye (the "**ENT**") treatments.

The development strategy of the Group is expanding the product portfolio through internal research and development and acquisition, and also enhancing the synergy effect and operation efficiency through effective resources allocation. The Group has put efforts in fine-tuning the products structure in recent years and has already provided contributions, increasing the portion of products with high gross profit margin and resulted the increment of the profit of the Group. For the six months ended 30 June 2018, the revenue of the Group was approximately HK$3,235.95 million, and the profit attributable to the owners of the Company was approximately HK$315.43 million, which were increased by approximately 42.2% and 53.2% respectively as compared with the same period of 2017.

During the first half of 2018, the Company announced a few acquisitions which aimed to strengthen the market leading position of the core treatment area of the Group, and also target to capture the market opportunities to broaden treatment area including branded medicine products and also anti-tumor treatment.

In May 2018, the Company announced the proposed acquisition of 100% equity interests of Taiwan Tung Yang International Company Limited at the consideration of RMB1,540.0 million, in which its major asset is the 55% equity interests of Shanghai Xudong Haipu Pharmaceutical Co., Ltd (上海旭東海普藥業有限公司) ("**Xudong Haipu**"), a PRC company famous in cardiovascular emergency drugs. Xudong Haipu is principally engaged in the manufacturing and sales of pharmaceutical injections in various volumes. Its core products include emergency medications, cerebro-cardiovascular and respiratory medicines covering nearly a hundred of different medical products in more than 10 categories. It is expected to create synergy with the Group's existing core preparation products, and enrich the Group's core product portfolio in the areas of emergency medications and cerebro-cardiovascular and respiratory products. It may also strengthen the Group's product quality, market share and branding in those areas, and provide significant contributions toward the rapid growth of the net profit of the Group. The Company will settle 40% of the consideration for the above acquisition by issuance of 181,069,959 new shares of the Company to the vendor at the issue price of HK$4.20 each share. The remaining 60% of the consideration will be settled by the proceeds from the subscription of 228,148,148 new shares of the Company by Shanghai Grand Financial Investment

Company Limited (上海遠大產融投資管理有限公司) ("**Shanghai Finance**") at HK$5.00 each share. As at the date of this report, the acquisition and issuance of new shares stated above are under progress according to the schedule.

In May 2018, the Company also announced the proposed acquisition of 100% equity interests of Shanghai Winguide Huangpu Pharmaceutical Company Limited (上海運佳黃浦制藥有限公司) ("**Shanghai Winguide**") at the consideration of RMB1,551.3 million. To the best of the knowledge, information and belief of the Directors, the Target Company is one of the largest and famous PRC external used pharmaceutical preparations manufacturers with most comprehensive formulations. It has a well-known over-the-counter ("**OTC**") brand named Xin Long Glycerine Enema, and the distribution network covers 29 provinces and regions over the PRC. The Directors believe this acquisition is an important milestone of the Group in the development of external used drugs and OTC market. The Group will gain a national famous brand and also over ten related products through this acquisition and solidify its leading position in the national market of external used drugs, may also enrich the Group's product portfolio of OTC products and share the distribution network with each other. Certain consideration for the acquisition of Shanghai Winguide will be settled by the proceeds from the subscription of 237,416,904 new shares of the Company by Shanghai Finance at HK$5.20 per share. The Company will settle the remaining portion by internal resources and other financial resources (including but not limited to other fund raising activities). As at the date of this report, the acquisition and issuance of new shares stated above are under progress according to the schedule.

In June 2018, the Company announced the proposed acquisition of 100% of the shares of Sirtex Medical Limited ("**Sirtex**") jointly with CDH Genetech Limited at total consideration of approximately AUD1.9 billion, in which the Company will indirectly hold 49% equity interests of Sirtex. Sirtex is a global life science company, registered and listed in Australia. Its core product, SIR-Spheres Y-90 resin microspheres, is a targeted radiation therapy for liver cancer using novel small particle (microsphere) technology to deliver radiation directly to the affected liver tissues. The Directors believe that the acquisition of Sirtex offers a significant opportunity for the Group to venture into the field of interventional oncology for malignant tumor, aim to allow the Group to further grow Sirtex's existing global business, especially to unlock the great market potential of SIR-Spheres Y-90 resin microspheres in the PRC. This product is an innovative technology with global leading position, and PRC is a huge unexplored market with liver cancer patients counted over 50% out of the total patients worldwide but it does not have any effective liver cancer treatments and innovative products available. The consideration for the acquisition of Sirtex payable the Group will be mainly settled by the way of rights issue with the basis of 6 rights shares allotted for every 25 shares. The subscription price is HK$5.20 per share. As at the date of this report, the acquisition and rights issue stated above are under progress according to the schedule.

Once the above mentioned acquisitions completed, their products will become important core product series of the Group, and may provide significant contribution to the Group in the aspect of solidifying the leading position and products variability in the cardiovascular emergency medicine area and OTC branded medicines and also in the aspect of making financial returns, especially the Group can build up the foundation of becoming a leader in the PRC in the field of interventional oncology and radiotherapy after the introduction of products of Sirtex. Furthermore, the Group will continuously devote more efforts to the research and development in new products focusing on the major areas such as cerebro-cardiovascular, ENT/ophthalmic, orphan drugs, bio-similar drugs, custom pharmaceutical intermediates, etc. by an objective of strengthen the competitiveness and profitability. During the first half of 2018, the Group obtained thirteen invention patents and applied twenty four invention patents. There are still more than thirty products under research and development and that mainly focusing on medicines and medical devices in cerebro-cardiovascular and ENT sectors, in which two projects are classified as Class II innovative drugs, fifteen projects are classified as Class III generic drugs and the remaining are classified as Class IV generic drugs. For the research and development work of orphan drugs, five projects are under research and development, in which one of them have already been listed as priority to examine the first imitation of new rare disease products by the China National Drug Administration, which is applied in the treatment of Hyperammonemia. The other four products are applied in other rare diseases such as Epilepsy, Pulmonary hypertension, etc. It is expected to gradually obtain registration approval in 2018 and 2019. On the other hand, two clinical research works of the worldwide most advanced drug-eluting balloon products of an associated company of the Group Cardionovum Holding Co., Limited for registration in the PRC are close to completion. And Conavi Medical Limited, which commenced the investment since the second half of 2017, has commenced the preparation works for clinical trial and registration of two cardiovascular imaging medical devices in the PRC. It is expected to provide contributions to the Group in the foreseeable future.

With reference to the disclosure in the 2016 and 2017 annual report of the Group, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Group, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered by the Group. Up to 30 June 2018, the court has concluded 49 cases, and Tianjin Jingming has appealed 21 first trial cases with aggregate compensation of approximately RMB20.7 million. For those final trial and effected cases, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB7.2 million in according to the court order, and the remaining compensation of approximately RMB2.1 million will be paid in the second half of 2018. The other related litigations of the product quality incident have not yet been concluded. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of product incident before 30 June 2015, and Grand Pharma (China) Co., Ltd. is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered. Hence, the Directors are of the view that the said incident and the related litigations do not have material impact to the Group.

According to the terms of the agreement for the acquisition of Tianjin Jingming, the vendors have undertaken to the Group that the net profit after tax (the "**Actual Profit**") from domestic sales (only include the net profit generated from domestic sales and shall not include the profit generated from the sales of irrigating solutions (灌注液)) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 shall not be less than RMB5 million (the"**Performance Guarantee**"). If the above Performance Guarantee cannot be met, the Group can claim for a refund of part of the consideration in according to the formula set out in the announcement of the Company dated 22 December 2014. The Group was in a litigation against those vendors in related to the said Performance Guarantee, and in July 2017 obtained the judgement of first instance from the court and received the final judgement from the court in February 2018. It is concluded that the Group can get back the RMB10 million share transfer consideration currently deposited in the bank account jointly controlled by the Group and the vendors, and has already get back during the current period. The vendors should also additionally refund approximately RMB21.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming. The 2 amounts mentioned above have been received during the current period.

Following years of efforts, the Group has become one of the leading enterprises in the ENT treatment field, and has also become a famous enterprise with significant influence in the cerebro-cardiovascular emergency treatment field.

Revenue

For the six months ended 30 June 2018, the Group recorded a revenue amount of approximately HK$3,235.95 million, and was increased by approximately 42.2% as compared with the same period of 2017. The increment of the revenue is mainly due to the continuous fine-tuning of the product portfolio and also the contributions from the newly acquired business in the last two years maintained continuous growth. The Group has been actively developing specialist products such as ENT and cardiovascular emergency drugs with more advanced technology and higher gross profit margin, resulting the increment of average gross profit margin of the Group to approximately 57.7% for the Group during the period under review, which is approximately 7.0 percent points higher than the approximately 50.7% in the same period of 2017.

Pharmaceutical Preparations and Medical Devices

Pharmaceutical preparations and medical devices are the major sources of profit of the Group. The core products include ENT medicines, cerebro-cardiovascular medicines and medical devices, etc. For the six months ended 30 June 2018, the revenue amount of pharmaceutical preparations and medical devices was approximately RMB1,557.27 million with the increment of approximately 43.1% as compared with approximately RMB1,087.88 million in the same period of 2017.

— *ENT medicines and devices*

The Group devotes to build the most comprehensive supply chain of ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, devices, consumables and healthcare products, etc., and providing an all-rounded treatments and care to doctors and patients. During the current period, the revenue of ENT medicines and devices recorded approximately RMB929.38 million with a growth of approximately 50.3% as compared with the same period of last year. This was benefit from the substantial growth of the two major sub-divisions of the ENT field, in which:

- Ophthalmic: during the first half of 2018, the revenue from the ophthalmic products was approximately RMB313.59 million, with an increment of approximately 22.5% as compared to the approximately RMB255.96 million during the same period of 2017. The Hubei Grand EBE Bright Eyes Company Limited completed the improvement of overall production quality control system and the entire manufacturing plant reached the GMP standard. Xi'an Beilin Pharmaceutical Company Limited also optimized the formulations of core ophthalmic products (He Xue Ming Mu series and Fu Ming tablets) through internal integration and resulted approximately RMB164.15 million revenue, which was increased by approximately 29.8% as compared with the same period of last year.

- Respiratory and ENT: during the first half of 2018, the revenue of the respiratory and ENT products of the Group was approximately RMB615.79 million, which is increased by approximately 69.9% as compared with the approximately RMB362.49 million during the same period of last year. The main catalyst came from the major product Qie Nuo of Beijing Jiu He Pharmaceutical Limited. Since the listing in the National Medical Reimbursement List in 2017 and also the launch of pediatric formulation, it recorded a substantial increment in revenue amount, in which it was approximately RMB436.21 million during the first half of 2018 and was increased by 89.4% as compared with the same period of last year.

— *Cerebro-cardiovascular medicines and medical devices*

The Group's cerebro-cardiovascular emergency medicines mainly cover the field of platelet inhibitors, blood-pressure control, vasoactive drugs, etc., in which the platelet inhibitors injections and vasoactive drugs are in the pioneer position of the PRC market. With the benefit of strengthen the market promotion efforts, for the six months ended 30 June 2018, the revenue of the Group's cerebro-cardiovascular medicines was approximately RMB414.37 million, increased by approximately 33.9% as compared with the same period of last year. Among this sector, the core product Li Shu An contributed revenue amount of approximately RMB266.86 million, which was increased by approximately 51.3% as compared with the same period of last year.

Bio-technology Products and Nutrition Products

The core products of the bio-technology products and nutrition products include Taurine, amino acid products, bio-pesticides, bio-feed additives and steroid products, etc. During the first half of 2018, the revenue of the bio-technology products and nutrition products was approximately RMB711.28 million, increased by approximately 21.1% as compared with the same period of 2017. During this period the Group continuously fine-tuned the product quality of Taurine and amino acid products, put more efforts in exploring new customers and enlarge the market share. As compared with the same period of last year, the revenue of these products increased by approximately 42.2% and 11.4% to approximately RMB285.78 million and RMB238.50 million respectively. There were also developing new overseas market for bio-pesticides products and has gradually provided results. It is expected to provide contributions to the Group in the foreseeable future.

Specialized Pharmaceutical Raw Materials and Other Products

Specialized pharmaceutical raw materials and other products are the comparatively stable sector among the three core product sectors of the Group. To enhance the market competitiveness and increase the economic efficiency, the Group has always been investing on the improvement of the product technology and the product quality, reformation in the production technique to enhance the efficiency and also fine-tuning the product structure. During the first half of 2018, the revenue amount recorded approximately RMB360.13 million, with an increment of approximately 6.8% as compared with the same period of last year.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the year were approximately HK$1,103.30 million and HK$272.27 million respectively, while they were approximately HK$587.17 million and HK$239.60 million respectively in the same period of last year. The increment of the distribution costs was mainly due to the Group put more efforts in market promotion works and reposition those enterprises and products newly joined the Group. Also it has expanded the sales team to nearly 2,500 staffs for increasing the national coverage rate and exploration of overseas business. Following the expansion of business scope, the scale of the Group also increased and thus resulted the increment of administrative expenses.

Finance Costs

For the six months ended 30 June 2018, the finance costs of the Group were approximately HK$104.37 million while they were approximately HK$85.14 million during the same period of 2017. The Group is working on the changing of bank loans portfolio and considering different fund raising methods such as placing of new shares in order to cope with the development of the Group and reduce the related costs.

Outlook and Future Prospects

As far as the PRC pharmaceutical market is concerned, 2018 represents a significant year for reform deepening and supervision enhancement. On one hand, there have been frequent policy launches including in relation to the medical two-ticket system, the abolishment of mark-ups on drug prices, the hierarchical diagnosis system, and the implementation of the National Medical Reimbursement List. The acceleration of the finalisation and implementation of such policies means that the overall market has entered a stage of progress and evolution. On the other hand, the pharmaceutical industry has been pestered by various incidents relating to bogus vaccines, genetic "**carcinogenesis**" and oversight in genetic examinations, as well as "**fraudulent**" medical check-ups, all of which have caused widespread concern in the society and exposed the industry to heated debate and raging controversy.

With the increasing polarization observed in the PRC's population structure, the incidences of geriatric diseases and chronic diseases have been growing from year to year. The demand for innovation and branding in relation to tumour and emergency drugs has become highly pressing. Citizens have shifted from the passive medical treatment that they formerly received to an active approach of pursuing better treatments, accompanied by changes to the notions regarding health management. This has already become the driving force for the development of innovative products in the pharmaceutical market, as well as the sound rationale underpinning the growth of branded products.

The consistency evaluation of drugs represents one of the core initiatives under the PRC healthcare reform, and has gained widespread attention in the market. With the latest announcement by China Food and Drug Administration (CFDA) of the Batch 5 list of drugs that have passed the consistency evaluation, the practice of making batch-wise announcements on the drugs that have passed such 3evaluation will be brought to an end soon. Going forward, Centre for Drug Evaluation of CFDA will update the names of such drugs in the Catalogue of China's Marketed Drugs. While the consistency evaluation in respect of 289 primary drugs was originally scheduled to be completed by the end of 2018 (which is only 4 months from now), it is unlikely that such a target would be met earlier than anticipated given such challenges as the selection of and increased fees in relation to reference preparations as well as time issues.

On the PRC national level, in terms of the policies supporting the development of innovative drugs and the review and approval process for new drugs, the number of new drugs and the swiftness of review and approval have often brought pleasant surprises to the market. Upon the launch of the new Medical Reimbursement List, while the shortlisted products have started to enjoy the advantage of pursuing stronger sales growth, they have become subject to pressure arising from the percentage of drug revenue within total healthcare revenue in medical institutions and from the medical insurance control fees. Pharmaceutical enterprises and their products have begun to demonstrate differentiation, where branded products with a sound reputation and innovative specialty products are gradually showing their strengths.

Faced with the considerable volatility in the pharmaceutical market, the Group has remained committed to the workmanship notions of producing high-quality, new technology-based pharmaceutical products, gaining respect and trust from medical practitioners and patients alike, and of giving back to society. With a continued focus on our core treatment areas and a steadfast dedication to the research and development (R&D) of new products, we have been securing clinical and production approvals, launching new projects on a regular basis, and advancing the R&D efforts in respect of over 30 new online products. In particular, in relation to the research of orphan drugs, the Group has made new progress. On 9 August 2018, the Centre for Drug Evaluation of CFDA released the priority assessment list for a new batch of drugs, on which our tablet-form Carbaglu for treating hyperammonemia has been placed as a first generic orphan drug in the PRC market. Regarding the consistency evaluation of drugs, the Group is also making proactive efforts in completing relevant work in respect of a number of key products, in the hope that they will pass the evaluation as soon as possible for subsequent marketing and sales.

While supporting and making investments in proprietary R&D, the Group has been keeping a close eye on and has seized good opportunities through its active involvement in material asset investments and mergers and acquisitions (M&As), in a bid to acquire high-quality assets and heavyweight products. In particular, since the beginning of 2018, the Group has had the pleasure to announce three material investments and acquisitions in relation to Xudong Haipu, Shanghai Winguide and Australian company Sirtex. Such activities have enabled the Group to acquire cerebro-cardiovascular, emergency heavyweight preparation products; famous, branded, over-the-counter (OTC) drug products with a relatively high market share; and heavyweight products featuring the world's leading technologies for the interventional, endosomatic, radioactive treatment of tumours, respectively. All this means that going forward, the Group will achieve ground-breaking progress in terms of the number of drugs on its product lines, product innovativeness, product quality and market presence. While continuously expanding its cerebro-cardiovascular product line and that related to the five sense organs and the eye, and on the basis of the constant enhancement of the Group's leading position in these areas, it has assertively seized the valuable opportunity of entering the treatment area of malignant liver tumours. Given the high importance and very promising outlook, the Group is aimed at developing into one of the emerging leaders in that area. Dedicated to their own duties, the Company's management team members will make their utmost efforts to expedite the market launch of even more heavyweight products and innovative products within the next three to five years, through leveraging on the Company's existing product lines and leading market position. By doing so, they will offer a wider array of premium products to the patient community and the society at large, generating satisfactory earnings and investment returns for both the Company and its shareholders.

Financial resources and liquidity

As at 30 June 2018, current assets of the Group amounted to approximately HK$4,220.17 million (31 December 2017: HK$2,947.43 million) and current liability of the Group amounted to approximately HK$4,713.89 million (31 December 2017: HK$4,006.77 million). Current ratio as at 30 June 2018 was 0.90 while it was 0.74 as at 31 December 2017.

As at 30 June 2018, the Group had cash and bank balance of approximately HK$904.25 million (31 December 2017: HK$640.84 million), of which were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi.

As at 30 June 2018, the Group had outstanding bank loans of approximately HK$3,029.24 million (31 December 2017: HK$2,422.56 million). Except for the bank loans of approximately HK$643.72 million, all bank loans were denominated in Renminbi. The interest rates charged by banks ranged from 2.92% to 6.66% (for the year ended 31 December 2017: 2.65% to 7.20%) per annum, in which approximately HK$625.79 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with net book value of approximately HK$280.95 million (31 December 2017: HK$305.53 million). As at 30 June 2018, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' interests, was approximately 114.2%, as compared with approximately 108.4% as at 31 December 2017.

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

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2018, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Employees and Remuneration Policy

As at 30 June 2018, the Group employed 7,847 staff and workers in Hong Kong and the PRC (31 December 2017: 7,803). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

Contingent liabilities

The Directors were not aware that the Group has any significant contingent liabilities as at 30 June 2018 (2017: Nil).

Issue of new shares and use of proceeds

On 9 October 2017, the Company entered into a subscription agreement with Mr. Huang Xiaohua for the subscription of 47,750,000 ordinary shares of the Company ("**Shares**") with an aggregate nominal value of approximately HK$477,500. The subscription price and the net price (after deduction of all necessary related expenses) was HK$2.24 per Share. The closing price of the Share at the date of entering the agreement (i.e. 9 October 2017, being the last trading day for the Shares before entering the agreement) was HK$2.71 each Share. The said subscription shares were allotted and issued on 15 January 2018. The Directors considered that the subscription can replenish the cash used for an acquisition of additional equity interests in a subsidiary and is more cost-effective and preferable than other possible financing methods. The net proceeds from the subscription were intended to, and already applied as to approximately HK$90.0 million for repayment of bank loans, approximately HK$9.9 million for repayment of interest of convertible bonds, approximately HK$1.7 million for salary and wages, approximately HK$0.8 million for office rent, approximately HK$3.2 million for audit fees and other professional expenses, and approximately HK$1.4 million for other recurring operating expenses.

On 23 June 2014, the Company entered into a subscription agreement with RedStone Capital Management (Cayman) Limited for the subscription of a convertible bond in an aggregate amount of HK$30.0 million. The convertible bond can be converted into Shares at the initial conversion price of HK$1.35 per Share. The net proceeds from the subscription of such convertible bond was approximately HK$29.7 million. The closing price of the Share at the date of entering the agreement (i.e. 23 June 2014, being the last trading day for the Shares before entering the agreement) was HK$1.50 each Share. On 26 February 2018, the Company received a conversion notice from the holder of the convertible bond. The convertible bond was then fully converted and 22,222,222 Shares with an aggregate nominal value of approximately HK$222,222 were allotted and issued to the holder of the convertible bond on 8 March 2018. The issuance of such convertible bond was initially intended to finance an acquisition of a company, but subsequently the transaction was terminated and thus the unused proceeds were already applied as the general working capital of the Group.

Significant investment

Save as described in this report, there were no other significant investments during the period, and the Group did not have other plans for material investments and capital assets.

Events after the Reporting Period

On 4 July 2018, the Company proposed a right issue on the basis of six (6) rights shares to be allotted to every twenty five (25) shares held by qualifying shareholders, and the subscription price is HK$5.20 for each rights share. Further details of the rights issue can be referred to the announcement of the Company dated 4 July 2018 and the prospectus document of the Company dated 14 August 2018.

Save as disclosed above, no other subsequent events occurred after 30 June 2018, which may have a significant effect, on the assets and liabilities of future operations of the Group.

Directors' and chief executive's interests and short positions in Shares and underlying Shares

As at 30 June 2018, the Directors and the chief executives of the Company, and their respective associates had the following interests in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "**SFO**")) which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as other wise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"):

Long positions in the shares of the Company:

Name of Director	Capacity	Number of Ordinary shares held	Approximate percentage of the Company's issued share capital
Shao Yan	Interests in spouse *(Note)*	4,790,000 (L)	0.21%

(L) denotes long position

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

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

Substantial shareholders

As at 30 June 2018, the following persons (other than the directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Long and short positions in the shares of the Company:

Name of Shareholders	*Notes*	Number of the shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Outwit Investments Limited ("**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 Grand Financial Investment Company Limited ("**Shanghai Finance**")	*2*	505,059,995 (L)	Beneficial owner/ Interest of controlled corporation	21.89 (L)
China Grand Enterprises Incorporation ("**China Grand**")	*1&2*	1,969,869,567 (L)	Interest of controlled corporation	85.39 (L)
Mr. Hu Kaijun ("**Mr. Hu**")	*1&2&3*	2,010,889,567 (L)	Interest of controlled corporation	87.17 (L)
Ms. Chau Tung	*1&2&3*	2,010,889,567 (L)	Beneficial owner/ Interest in spouse	87.17 (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)

Name of Shareholders	*Notes*	Number of the shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
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)
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)

(L) denotes long position
(S) denotes short position

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 14,578,000 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 1,969,869,567 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 2,010,889,567 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 30 June 2018, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, sale or redemption of shares

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2018.

Code of Corporate Governance Practices

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2018, save for the deviations below:

Non-compliance with rules 3.10(1), 3.21 and 3.25 of the listing rules:

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Pursuant to Rule 3.25, the remuneration committee should comprise a majority of independent non-executive directors. Mr. Lo Kai Lawrence, an independent non-executive Director, a member of the audit committee, nomination committee and remuneration committee of the Company, passed away on 11 May 2018 due to illness. Thus the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the minimum number prescribed under Rule 3.21 of the Listing Rules. The remuneration committee also has only half members comprised by independent non-executive Director which is below the requirement under Rule 3.25. The Company is identifying suitable candidates to fill the vacancy and the Company will process the appointment procedure as soon as practicable. Further announcement will be made by the Company upon fulfillment of the aforesaid requirements.

Audit Committee

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

The Group's unaudited interim financial statements for the six months ended 30 June 2018 has been reviewed by the audit committee.

Remuneration Committee

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

Nomination Committee

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

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

Hong Kong, 15 August 2018

FINANCIAL CONTENTS

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Grand Pharmaceutical and Healthcare Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results for the six months ended 30 June 2018 of the Company and its subsidiaries (collectively the "**Group**"), together with comparative figures for the previous period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2018

	Note	Six months ended 30 June **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Unaudited)
Turnover	*3*	**3,235,952**	2,275,005
Cost of sales		**(1,368,620)**	(1,120,918)
Gross profit		**1,867,332**	1,154,087
Other revenue and income		**32,553**	30,400
Distribution costs		**(1,103,298)**	(587,171)
Administrative expenses		**(272,265)**	(239,601)
Other operating expenses		**(8,402)**	(5,768)
Share of results of associates		**(1,964)**	24
Finance costs		**(104,374)**	(85,140)
Profit before tax		**409,582**	266,831
Income tax expense	*4*	**(71,276)**	(42,430)
Profit for the period	*5*	**338,306**	224,401
Other comprehensive (loss)/income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**(31,601)**	56,946
Other comprehensive (loss)/income for the period, net of income tax		**(31,601)**	56,946
Total comprehensive income for the period, net of income tax		**306,705**	281,347

	Note	Six months ended 30 June 2018 HK$'000 (Unaudited)	 2017 HK$'000 (Unaudited)
Profit for the period attributable to:			
— Owners of the Company		**315,433**	205,905
— Non-controlling interests		**22,873**	18,496
		338,306	224,401
Total comprehensive income for the period attributable to:			
— Owners of the Company		**283,644**	262,762
— Non-controlling interests		**23,061**	18,585
		306,705	281,347
Dividend	*6*	**–**	–
Earnings per share	*7*		
— Basic (HK cents)		**13.74 cents**	9.20 cents
— Diluted (HK cents)		**12.89 cents**	8.67 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**2,860,475**	2,891,785
Investment properties		**63,934**	64,773
Prepaid lease payments		**280,277**	287,803
Interests in associates		**262,289**	273,522
Available-for-sale financial assets		**111,444**	100,898
Deposit for acquisition of non-current assets		**41,114**	41,653
Goodwill		**505,630**	511,539
Intangible assets		**857,599**	875,718
Deferred tax assets		**1,227**	1,243
Prepayments		**74,467**	66,426
		5,058,456	5,115,360
Current assets			
Financial asset at fair value through profit or loss		**22,518**	18,011
Inventories		**735,647**	762,933
Trade and other receivables	9	**2,533,041**	1,485,925
Amounts due from related companies		**–**	5,400
Prepaid lease payments		**8,658**	8,771
Pledged bank deposits		**16,050**	25,549
Cash and cash equivalents		**904,252**	640,842
		4,220,166	2,947,431
Current liabilities			
Trade and other payables	10	**1,919,648**	1,665,838
Bank and other borrowings		**2,642,535**	2,165,957
Obligations under finance leases		**55,661**	56,090
Amounts due to related companies		**–**	18,173
Amounts due to immediate holding company		**17,538**	23,368
Income tax payable		**78,511**	77,339
		4,713,893	4,006,765

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Net current liabilities		**(493,727)**	(1,059,334)
Total assets less current liabilities		**4,564,729**	4,056,026
Non-current liabilities			
Bank and other borrowings		**408,034**	278,212
Convertible bonds		**275,908**	293,958
Bond payables		**118,076**	119,474
Deferred tax liabilities		**194,607**	195,582
Deferred income		**623,184**	632,253
Obligations under finance leases		**48,837**	76,946
		1,668,646	1,596,425
Net assets		**2,896,083**	2,459,601
Capital and reserves attributable to owners of the Company			
Share capital	11	**23,070**	22,370
Reserves		**2,628,465**	2,211,516
Equity attributable to owners of the Company		**2,651,535**	2,233,886
Non-controlling interests		**244,548**	225,715
Total equity		**2,896,083**	2,459,601

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Share capital	Share premium	Contribution Share surplus premium reserve	Statutory reserve	Safety fund reserve	Translation reserve	Other reserve	Convertible bonds reserve	Retained profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017 (audited)	22,370	660,537	121,273	136,238	22,328	(96,885)	(57,089)	72,577	821,085	1,702,434	273,653	1,976,087
Profit for the period	–	–	–	–	–	–	–	–	205,905	205,905	18,496	224,401
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	–	–	–	–	–	56,857	–	–	–	56,857	89	56,946
Total comprehensive income for the period	–	–	–	–	–	56,857	–	–	205,905	262,762	18,585	281,347
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	(6,043)	–	–	(6,043)	(7,280)	(13,323)
Dividend distributable to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(5,580)	(5,580)
At 30 June 2017 (unaudited)	22,370	660,537	121,273	136,238	22,328	(40.028)	(63,132)	72.577	1,026,990	1,959,153	279,378	2,238,531
At 1 January 2018 (audited)	**22,370**	**660,537**	**121,273**	**200,961**	**25,659**	**9,344**	**(92,677)**	**72,577**	**1,213,842**	**2,233,886**	**225,715**	**2,459,601**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**315,433**	**315,433**	**22,873**	**338,306**
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(31,789)**	**–**	**–**	**–**	**(31,789)**	**188**	**(31,601)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(31,789)**	**–**	**–**	**315,433**	**283,644**	**23,061**	**306,705**
Conversion of a convertible bond	**222**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,955)**	**–**	**(2,733)**	**–**	**(2,733)**
Issue and subscription of new shares for the period	**478**	**136,260**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**136,738**	**–**	**136,738**
Dividend distributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,228)**	**(4,228)**
At 30 June 2018 (unaudited)	**23,070**	**796,797**	**121,273**	**200,961**	**25,659**	**(22,445)**	**(92,677)**	**69,622**	**1,529,275**	**2,651,535**	**244,548**	**2,896,083**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**(211,294)**	121,164
Investing activities		
Purchase of property, plant and equipment	**(121,119)**	(98,642)
Other cash flows arising from investing activities	**(9,611)**	(19,625)
Net cash used in investing activities	**(130,730)**	(118,267)
Financing activities		
Repayments of bank loans	**(1,444,655)**	(898,076)
Proceeds from new borrowings	**2,082,689**	984,745
Other cash flows arising from financing activities	**(20,682)**	(115,006)
Net cash generated from/(used in) financing activities	**617,352**	(28,337)
Net decrease in cash and cash equivalents	**275,328**	(25,440)
Cash and cash equivalents at 1 January	**640,842**	484,418
Effect of foreign exchange rate changes	**(11,918)**	(1,904)
Cash and cash equivalents at 30 June	**904,252**	457,074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REVIEW OF INTERIM RESULTS

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

2. BASIS OF PREPARATION

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

This consolidated interim financial result contains consolidated financial results and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The accounting policies and methods of computation used in the preparation of this interim results announcement are consistent with those adopted by the Group in the 2017 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2018. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

The financial information relating to the financial year ended 31 December 2017 included in this consolidated interim financial results as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2017 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 March 2018.

3. REVENUE AND SEGMENT INFORMATION

For the six months ended 30 June 2018, the Group is principally engaged in manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials and other products. The Board, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

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

Geographical information

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

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

	Revenue from external customers		**Non-current assets**	
	Six months ended 30 June		**As at 30 June**	As at 31 December
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC	**2,479,439**	1,795,225	**4,685,279**	4,747,330
America	**181,067**	130,754	**–**	–
Europe	**281,662**	185,785	**–**	–
Asia other than the PRC	**254,190**	144,260	**–**	–
Others	**39,594**	18,981	**–**	–
Total	**3,235,952**	2,275,005	**4,685,279**	4,747,330

Note: Non-current assets excluded available-for-sale financial assets, deferred tax assets and a part of interests in associates.

Information about major customers

For the six months ended 30 June 2018 and 2017, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

4. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**69,861**	44,291
Deferred tax	**1,415**	(1,861)
	71,276	42,430

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company did not have any assessable profits subject to Hong Kong Profits tax at the rate of 16.5% (2017: 16.5%) during the reporting period. Provision on profits assessable elsewhere has been calculated at the rate of tax prevailing to the countries to which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

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

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

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax is stated after charging:		
Staff costs comprises:		
— Wages and salaries	**493,991**	361,523
— Retirement benefits schemes contributions	**29,897**	25,207
	523,888	386,730
Depreciation of property, plant and equipment	**113,526**	109,921
Amortisation of prepaid lease payments	**3,949**	3,646
Amortisation of intangible assets	**8,402**	5,768
Total depreciation and amortisation	**125,877**	119,335
Cost of inventories recognised as an expense	**1,368,620**	1,120,918
Operating leases rentals in respect of land and buildings	**7,157**	6,598
Loss on disposal of property, plant and equipment	**95**	133
Research and development costs	**107,813**	46,368
Written off of property, plant and equipment	**441**	214

6. INTERIM DIVIDEND

No dividend were paid, declared or proposed during the reporting period. The Board does not recommend the payment of an interim dividend for the period (2017: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share calculation	**315,434**	205,905
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (net of tax)	**11,375**	11,442
— Deferred tax arising from convertible bonds	**(2,248)**	(2,261)
Earnings for the purpose of diluted earnings per share calculation	**324,561**	215,086

	Six months ended 30 June	
	2018	2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**2,295,188**	2,237,012
Effect of dilutive potential ordinary shares:		
— Convertible bonds	**222,222**	244,444
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**2,517,410**	2,481,456

The Company's outstanding convertible bonds were included in the calculation of diluted earnings per share because the effect of the Company's outstanding convertible bonds was diluted.

8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group incurred approximately HK$121,119,000 (for the six months ended 30 June 2017: HK$98,642,000) on additions to property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 June 2018 *HK$'000* **(Unaudited)**	31 December 2017 *HK$'000* (Audited)
Trade receivables, net	**1,229,645**	908,157
Bills receivables	**273,471**	302,633
Prepayments	**197,945**	143,107
Deposits paid	**469**	534
Other tax receivables	**20,948**	35,086
Other receivables, net *(note)*	**810,563**	96,408
	2,533,041	1,485,925

Note:

Included in other receivables there is an amount of approximately HK$60,455,000 (2017: Nil) as the prepayment amount in related to the acquisition of equity interests of Taiwan Tung Yang International Company Limited. There is also an amount of approximately HK$638,840,000 (2017: Nil) as the initial and second deposit payment in related to the acquisition of equity interests in Sirtex Medical Limited. Further details of the above acquisitions are set out in the announcement of the Company dated 24 May 2018 and 14 June 2018 respectively, and the circular of the Company dated 12 July 2018 and 26 July 2018 respectively.

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

Within 90 days	**1,145,101**	739,645
91–180 days	**54,487**	136,256
181–365 days	**32,195**	39,925
Over 365 days	**46,911**	42,282
	1,278,694	958,108
Less: accumulated impairment	**(49,049)**	(49,951)
	1,229,645	908,157

10. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**410,827**	442,138
Bills payables	**522,692**	186,209
Accruals and other payables	**833,444**	819,105
Deposits received	**–**	1,003
Other tax payables	**102,535**	122,402
Receipts in advance	**50,150**	94,981
	1,919,648	1,665,838
The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:		
Within 90 days	**201,638**	254,863
Over 90 days	**209,189**	187,275
	410,827	442,138

11. SHARE CAPITAL

	Ordinary shares of HK$0.01 each			
	30 June 2018		31 December 2017	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***HK$'000***	*'000*	*HK$'000*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
At the beginning of the period/year	**100,000,000**	**1,000,000**	100,000,000	1,000,000
At the end of the period/year	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Issued and fully paid:				
At the beginning of the period/year	**2,237,012**	**22,370**	2,237,012	22,370
Issue under subscription *(note (a))*	**47,750**	**478**	–	–
Conversion of a convertible bond *(note (b))*	**22,222**	**222**	–	–
At the end of the period/year	**2,306,984**	**23,070**	2,237,012	22,370

(a) On 15 January 2018, the Company issued 47,750,000 new Shares to Mr. Huang at the subscription price of HK$2.24 each Share in according to the subscription agreement dated 9 October 2017.

(b) On 26 February 2018, the Company received a conversion notice from the holder of a convertible bond for the conversion of a convertible bond with principal amount of HK$30,000,000. Accordingly, 22,222,222 new Shares were allotted on 8 March 2018.

12. COMMITMENTS

(a) Operating lease commitment

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Within one year	**5,141**	2,688
In the second to fifth year inclusive	**2,673**	2,063
	7,814	4,751

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of one to three years and rentals are fixed for an average of one to three years.

The Group as lessor

The Group sub-leases certain of its office premises under operating lease arrangement. The rental income earned during the period was approximately HK$155,000 (2017: HK$Nil). The Group had future minimum lease receipts from tenants under non-cancellable operating lease which fall due as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Within one year	**163**	351
In the second to fifth year inclusive	**—**	28
	163	379

(b) Capital commitment

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Capital expenditure contracted but not provided for:		
Acquisition of property, plant and equipment	**14,669**	33,603

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2018 (2017: Nil).

CORPORATE INFORMATION

Executive directors

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

Independent non-executive directors

Ms. So Tosi Wan, Winnie
Dr. Pei Geng

Company secretary

Mr. Foo Tin Chung, Victor

Authorised representatives

Mr. Liu Chengwei
Mr. Foo Tin Chung, Victor

Audit committee

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

Remuneration committee

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

Nomination committee

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

Website

www.chinagrandpharm.com

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal advisers

As to Hong Kong Law:
Loeb & Loeb LLP

Principal share registrar

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

Hong Kong branch share registrar

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

Principal bankers

HSBC
China Merchants Bank
Bank of China

Registered office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Principal office

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