远大健康
CGE HEALTHCARE

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

OFFERING
QUALITY PRODUCTS

HONORING
CODE OF ETHICS

Interim Report
2019

CONTENTS

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, specialized pharmaceutical raw materials and nutrition products. The core pharmaceutical and medical devices products of the Group mainly applied in the cerebro-cardiovascular emergency, Ear, Nose & Throat as well as Eye (the "**ENT**") treatments and selective internal radio therapy for tumor treatment.

The development strategy of the Group is expanding the product portfolio through internal research and development and external investment and acquisition, and also enhancing the synergy effect and operation efficiency through effective resources allocation. After years of unremitting efforts, the Group has become one of the largest suppliers in the PRC in the fields of cerebro-cardiovascular emergency and ENT sub-divisions. The Group has put efforts in fine-tuning the products structure in recent years and mainly focused on four business scope, namely innovative drugs with high entry barriers, branded drugs, pharmaceutical raw materials and preparations integration, and health products. Among these categories, innovative drugs with high entry barriers such as ENT product "Qie Nuo", which are high gross profit margin products, will be the growing point of financial results. For the six months ended 30 June 2019, the revenue of the Group was approximately HK$3,587.06 million, and the profit attributable to the owners of the Company was approximately HK$546.96 million, which were increased by approximately 10.9% and 73.4% respectively as compared with the same period of 2018. If disregarding the depreciation of RMB, for the six months ended 30 June 2019 the revenue of the Group increased by approximately 18.1% and the profit attributable to the owners of the Company increased by approximately 86.8% as compared to the same period of last year.

During the second half of 2018, the Group completed an acquisition and obtained 55% equity interests of Shanghai Xudong Haipu Pharmaceutical Co., Ltd ("**Xudong Haipu**"). Xudong Haipu is mainly engaged in manufacturing and sales of pharmaceutical preparations for injection with various volumes, and its core products covering nearly a hundred different medical products in more than 10 major pharmaceutical categories such as emergency medication, cerebro-cardiovascular, respiratory products, etc. Its results maintained constant growth during the period. For the first half of 2019, its unaudited operating revenue was approximately RMB568.91 million.

In 2018 there was another material acquisition, in which the Group obtained 49% equity interests of Sirtex Medical Limited ("**Sirtex**"), a global life science company. Its main product SIR-Spheres Y-90 resin microspheres, is a selective radiotherapy for liver cancer, which uses the microsphere technology to directly transmit the radiations into the affected hepatic tissues. Up to June 2019, it already reached the milestone of 100,000th patient dose delivery. This product is included in new version of EASL Clinical Practice Guidelines: Management of hepatocellular carcinoma published in 2018, and the Diagnosis Management and Treatment of Hepatocellular Carcinoma published by the National Health and Family Planning Commission of China in 2017. It accumulated years of effective clinical experience and information, which may have positive impact on the registration in the PRC. Currently the China Sirtex registration project is actively processing. For the first half of 2019, its unaudited operating revenue was equivalent to approximately USD80.31 million.

Other than the existing products, the Group is also actively exploring new markets, and developing and introducing new products. In February 2019, the Group entered into an exclusive license agreement with Glenmark Specialty S.A. ("**Glenmark**"), a Swiss innovative pharmaceutical research and development institution. The Group was licensed to exclusively sell Ryaltris, a compound nasal spray being developed by Glenmark, in the PRC for a period of 20 years. Such compound nasal spray applied the integration of glucocorticoid and antihistamine drugs. The clinical trial results prove that its treatment result is better than those using single formula and also substantially minimize the side effects. It is expected to be a better treatment option for allergic rhinitis patients. This product is in the approval and information provision status under U.S. Food and Drug Administration ("**FDA**"), and at the same time the clinical trial proposal in China is under design stage. The introduction of Ryaltris will strategically supplement the product offerings of the Group in ENT and allow the Group to obtain a new international ENT product, thus improving the core product competitiveness of the Group.

The clinical trial in PRC for three drug-eluting balloon products of CARDIONOVUM GmbH, an associated company of the Group, already had preliminary results. Clinical trial results for two indications of RESTORE series product under the coronary artery aspect had been announced in 2018, and it is waiting the review and approval for other documentations. Another product APERTO under the hemodialysis arteriovenous fistula aspect had also announced the clinical trial research results and submitted the PRC registration information, and the registration review and approval procedures is on-going. The marketing work has been on the way and will commercially launch soon after being approved.

In the second half of 2017 the Group invested in a Canada company Conavi Medical Inc. and obtained the exclusive distribution rights in the PRC for 2 internationally innovative equipment NOVASIGHT Hybrid and FORESIGHT ICE used for heart and cerebro-cardiovascular interventional inspection. NOVASIGHT Hybrid, an intravascular ultrasound optical coherence tomography system, has been enrolled into the "green channel" of special review approval process of innovative medical device in February 2019. This product is now preparing the registration process of localization in the PRC, and it is hoped that such product can be commercially launched soon and provide accurate and convenient treatment tool and technique for patients and doctors.

For the aspect of self-research and development, the Group obtained various patents in the first half of 2019, including 8 invention patents, 5 utility model patents and 5 design patents. There are now over 30 R&D projects on the pipeline mainly focusing on the core development segments, including the cerebro-cardiovascular drugs, ENT drugs, medical devices and the niche market orphan drugs. Since 2014, the Group has been co-developing many orphan drugs with Chinese Academy of Medical Sciences (中國醫學科學院), of which our self-developed Carglumic Acid Tablet, which is used for treatment of hyperammonemia, and Vigabatrin Tablet, which is used for treatment of complex partial seizures and for infantile spasms, have both been included in the priority list for drug examination and approval and thus will speed up the registration review and approval progress.

In view of the constant growth of operation results of the Group, and the Company has issued shares for financing the acquisition of equity interests of Sirtex and Xudong Haipu in 2018, and resulted a substantial enhancement of asset-liability proportion and more sufficient working capital, and thus the Company distributed dividend of HK$0.086 per share to qualified shareholder in June 2019 with the aggregate amount of approximately HK$290 million. The Company aims to maintain such cash dividend policy with the support of constant growth in operation results in the future, and provides fruitful return to shareholders.

With reference to the disclosure in the 2016, 2017 and 2018 annual report of the Company, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Company, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered by the Company. Up to 30 June 2019, the court has concluded 49 cases, and Tianjin Jingming has appealed 17 cases against the judgement of first instance with aggregate compensation of approximately RMB17.70 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB11.37 million in according to the court order. The other related litigations of the product quality incident have not yet been concluded. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of such product incident until 30 June 2015, and GrandPharma (China) Co., Ltd. is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered and is under second instance. 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. 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. However, the vendors subsequently applied for rehearing of the aforesaid judgement, and the matter will be reheard according to the court's judgement, which is currently scheduling.

As a result of the efforts of previous years, the Group has become one of the leading enterprises in the ENT sectors in the PRC, and has become a well-known enterprise with significant impact in the cerebro-cardiovascular emergency sector. We have confidence that once the various products of Sirtex and CARDIONOVUM GmbH completed the registration in the PRC, the Group will become one of the enterprises which own internationally innovative blockbusters products in the aspect of interventional internal radiotherapy for cancer treatment and cerebro-cardiovascular interventional treatment in the PRC.

Revenue and net profit

For the six months ended 30 June 2019, the Group recorded a revenue amount of approximately HK$3,587.06 million, and was increased by approximately 10.9% as compared with the same period of 2018. The increment of the revenue is mainly due to the Group vigorously develops specialized pharmaceutical products with large market and high-entry barriers, exclusive or protected pharmaceutical products and branded pharmaceutical products, especially the pharmaceutical preparation category recorded significant growth. As a result of continuous fine-tuning of the product portfolio, the proportion of products with high gross profit keep growing and resulting the increment of average gross profit margin of the Group to approximately 63.4% during the period, which is approximately 5.7 percent points higher than the approximately 57.7% in the same period of 2018. During this period the profit attributable to the owners of the Company was approximately HK$546.96 million. It is benefited not only from the increment of revenue and gross profit as stated above, but also the share of profit (net) from associates also recorded approximately HK$12.43 million (among which the Sirtex and Xudong Haipu, which the acquisition were completed in the second half of 2018, contributed unaudited profit of approximately HK$16,420,000 in aggregate). As a result the profit for the period attributable to the owners of the Company increased by approximately 73.4% respectively as compared with the same period of 2018. If disregarding the depreciation of RMB, for the six months ended 30 June 2019 the revenue of the Group increased by approximately 18.1% and the profit for the period attributable to the owners of the Company increased by approximately 86.8% as compared to the same period of last year.

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 2019, the revenue amount of pharmaceutical preparations and medical devices was approximately RMB1,998.83 million with the increment of approximately 28.4% as compared with approximately RMB1,557.27 million in the same period of 2018.

— *ENT medicines and devices*

In recent years, the Group devotes to build the most comprehensive supply chain of ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, Chinese medicine, medical devices, consumables and healthcare products, etc., and providing an all-rounded treatments and care to medical professions and patients. For the ophthalmic aspect which focuses in the products for treatment, the Group has multi-channel industry advantages and brand market awareness. Through application of combined advantages of multi-products, the Group will further increase the promotion of non-prescription branded products and increase brand awareness from consumers to obtain further recognition of the Group and its brands. It will further launch new products in the future, such as the first generic glaucoma eye drops "Travoprost" in order to enhance the competitiveness of the Group in the ENT medication field. During the current six months review period, the revenue from ENT medicines and devices was approximately RMB1,172.18 million, which was increased by approximately 26.1% as compared with the same period of last year. It was benefit from the substantial growth of the two major sub-divisions of the ENT field, in which:

- Ophthalmic: During six months ended 30 June 2019, the revenue from the ophthalmic products was approximately RMB354.53 million, with an increment of approximately 13.1% as compared with the approximately RMB313.59 million in the same period of 2018. The core non-prescription eyedrops "Rui Zhu" has recorded continuous growth in revenue, in which the revenue during the period was approximately RMB69.66 million, representing an increase of approximately 40.4% as compared with the same period of last year.

- Respiratory and ENT: during the first half of 2019, the revenue of the respiratory and ENT products of the Group was approximately RMB817.65 million, which was increased by approximately 32.8% as compared with the approximately RMB615.79 million during the same period of last year. The main catalyst came from the major product Qie Nuo of Beijing Grand Jiu He Pharmaceutical Limited. It was benefited from the effort of developing primary and retail markets by the newly established non-prescription drug sales team of the Group, and thus the revenue during the period was approximately RMB553.74 million, representing an increase of approximately RMB117.53 million as compared with the same period of last year. Moreover, the revenue of Jin Sang series was increased by approximately RMB67.28 million to approximately RMB197.70 million during this period.

— *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 2019, the revenue of the Group's cerebro-cardiovascular medicines was approximately RMB650.83 million, increased by approximately 57.1% as compared with the same period of last year. Among this sector, the core product Li Shu An, Xin Wei Ning, Rui An Ji and Nuo Fu Kang contributed revenue amount of approximately RMB618.73 million, which was increased by approximately 61.1% 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 2019, the revenue of the bio-technology products and nutrition products was approximately RMB746.98 million, increased by approximately 5.0% as compared with the same period of 2018. The growth engine mainly related to the increasing demand of amino acid products and the exploration of international market by the Group.

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. The Group is fine-tuning the product structure to keep products with synergy effect or better quality in order to enhance overall competitiveness. During the period the revenue amount recorded approximately RMB357.29 million, which was slightly decreased by approximately RMB2.84 million as compared with the same period of last year.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the period were approximately HK$1,259.67 million and HK$329.83 million respectively, while they were approximately HK$1,103.30 million and HK$272.27 million respectively in the same period of last year. The percentage of distribution costs over revenue recorded approximately

35.1% during this period, and is similar to the approximately 34.1% during the same period of last year. While the Group has invested in the development of new market, the previous efforts have also provided returns. Following the expansion of business scope, the administrative expenses such as salaries and other office expenses also increased and thus resulted the overall administrative expenses increased by approximately HK$57.56 million as compared with the same period of last year.

Finance Costs

For the six months ended 30 June 2019, the finance costs of the Group were approximately HK$84.90 million while they were approximately HK$104.37 million during the same period of 2018. The Group is actively working on the changing of bank loans portfolio, and also the holder of convertible notes converted such notes to the shares of the Company, and resulted the finance costs substantially reduced by approximately 18.7%.

Net Current Liabilities

For the six months ended 30 June 2019, the net current liabilities of the Group was approximately HK$346.11 million, which was substantially reduced by approximately 77.5% from the approximately HK$1,537.80 million as at 31 December 2018. This shows that the liquidity risk of the Group has substantially reduced. Given that the continuous enhancement of capital structure and constant growth of operating profit, the operation risk of the Group is steadily reduced, and the idea of steady operation and the aim of improving operation efficiency is gradually achieved.

Outlook and Future Prospects

China's pharmaceutical market is undergoing a historic reform in terms of institution and market as the frequent issuance of new measures and supporting policies has posed enormous challenges to the operation and development of pharmaceutical enterprises. With regard to the institutional reform, the State Council of China has introduced a reform of state institutions whereby three institutions have been restructured or newly set up to govern different aspects of the medical, pharmaceutical and healthcare sectors. The State Administration for Market Regulation will be responsible for the management of drug research and development (R&D), production and application, and will focus on the clinical and registration review, approval and management of drugs, consistency evaluation and efficacy re-evaluation of generic drugs, priority review and approval, as well as quality control, flight inspection and other supervision of drug manufacturers. The National Health Commission will be in charge of matters relating to medical institutions, including hierarchical diagnosis, separation of prescribing and dispensing of drugs, payment system (DRGs) and development of private medical institutions. The National Healthcare Security Administration will be responsible for matters including payment method and criteria of the urban employee, resident and new rural cooperative medical insurance as well as quantity-based procurement of drugs. Concerning the market, pharmaceutical enterprises are struggling with various uncertainties as they find it difficult to accommodate to and are disturbed by the frequent promulgation of relevant national policies. Not only do they face pressure of investment funding and time limit of consistency evaluation and efficacy re-evaluation of drug equivalency, they also need to cope with the price competition and bargaining difficulties arisen during the "quantity-based procurement for 4+7 cities" and go head to head with its peers in the timely R&D projects for innovative drugs. In the capital market, the rapid changes of the pharmaceutical market have also created fears and chaos among investors who have always considered the pharmaceutical and consumer sectors as a buffer and defensive investment. Valuation of the pharmaceutical sector has undergone a significant downward adjustment and many sought-after pharmaceutical stocks have suffered a huge loss.

Here comes the era with both opportunities and challenges, the era of pioneers poised for development.

Statistics from the National Medical Products Administration (NMPA) showed that the Chinese pharmaceutical industry has become one of the most rapidly-developing industries in the national economy with its continuous expansion in overall scale since the reform and liberalisation of China. With ongoing industrialisation and urbanisation, an aging population that continues to grow and the changes in ecological environment and mode of life, some types of diseases have become major causes of death of and created burden of disease for the Chinese. Information of NMPA revealed that cerebro-cardiovascular diseases, cancers, respiratory illnesses, diabetes and other chronic diseases contributes over 70% of the total burden of disease and 88% of total deaths, and have been a key factor that hinders the increase in healthy life expectancy in China. As such, generic and innovative drugs for preventing and treating four major diseases, namely cerebro-cardiovascular diseases, cancers, chronic respiratory illnesses and diabetes will have greater development opportunities, and pharmaceutical enterprises which implement strategic plans accordingly will be able to leapfrog their rivals.

Among the above four treatment areas with noteworthy growth potentials, the Group has established a firm groundwork in three areas, i.e. cerebro-cardiovascular diseases, cancers and respiratory illnesses, with its years of experience and development, especially in the recent five years. The Group has actively embraced this vast development opportunities by making preparations in different aspects, e.g. product pipelines, core products market share, academic marketing and promotion and key opinion leader (KOL) network development, product commercialisation, international talents for professional studies, reserves of future star products of drugs and medical devices.

The Group enjoys a high market share of and has recorded a steady growth in sales income from its cerebro-cardiovascular products, particularly emergency drug products. The Company offers core products that cover six out of the eight major categories and eleven out of the forty eight types of emergency drugs under the national catalogue. It also occupies a leading position in the industry niche of cardiac stimulants with the largest number of products offered. Certain core products have been initially approved to be on the state's list of alternatives for emergency drugs in deficiency and are under protection by state policies. For the reserves of future products, vigorous efforts will be made in the R&D of its own first generic drugs for emergency use, and there will be more innovative star products of appliances and devices for interventional treatment and diagnosis from overseas, for which the Group will apply for registration approval in China. The Group expects that the products, once rolled out, would provide more new treatment solutions for medical practitioners and patients.

For cancer treatment products, the Group acquired an interventional product of nuclear radiotherapy, namely SIR-Spheres Y-90 resin microsphere product, for terminal liver cancer and an international platform for the R&D, marketing and sales of nuclear radiotherapy products through its successful acquisition with CDH Genetech Limited of Sirtex, an Australian life science corporation, in 2018. The Group will fully utilize this rare market development opportunity to bring itself become one of the leaders in the China nuclear medicine aspect.

As to respiratory illnesses, the Group owned a unique star product, is expected to be the Group's star product which can alone generate market sales of more than RMB3 billion. In addition, the Company also has a number of reserved products which some are internationally innovative and some are on the list of the Protected Varieties of Traditional Chinese Medicines. The Group will continue to explore the academic and application of the aforesaid star product, and will apply experience and ability of win-win cooperation and acquisition to further develop more product lines in the respiratory aspect, with the goal of being the pioneer and major role in this aspect.

In the ENT aspect especially in the ophthalmic sector, the Group has become one of the largest suppliers in China, and will fight for more internationally innovative products in order to enhance the ability of continuous development in this aspect and maintain the market leadership status.

The Group also has good results in other treatment sectors, such as the study of drugs and product reserves for rare disease in which we have started study early and making quick implementation, and thus we already have 5 products listed on the National Catalogue for Rare Disease# (國家罕見病產品目錄). Currently China has launched certain convenient arrangement for the clinical trial registration, preferential tax treatment and medical insurance coverage in respect of orphan drug products. The Group will keep working hard and target to be the forerunners of the sector.

China is one of the largest markets for generic drugs, and such development opportunity will only be available for those pharmaceutical products and enterprises which are capable of obtaining timely approval for registration and offering quality products at low production costs. By strictly following the strategies of extending the industry chain and promoting the integration of drug substances and pharmaceutical

For identification purpose only

preparations, the Group has laid a solid foundation for the development of the Group's generic drugs, drugs with high entry barriers and future innovative drugs and this will be essential for securing the Group's competitive edge in generic drugs.

While treading similar paths as those in other developed countries towards development, the Chinese pharmaceutical market will continue to make advancement. However, due to the shortage of innovative ideas and talents in the pharmaceutical industry makes and the extensive government intervention, it may take greater efforts and longer time for the industry to become established. It will be the Group's core concepts of future development and pathway towards a transformation from drugs with high entry barriers and branded drugs to innovative and advantageous products to attach its importance to serve patients, act according to market demand and focus on R&D. By fully capitalising on its integrated development edges, the Group will explore the global market, extend the market coverage and enhance the capability of international development, insist on the integrated development strategy of carrying out its own R&D, patent licensing and synergetic investment, mergers and acquisitions, operate in compliance with rules and regulations and sunshine laws, follow the rules and regulations during operation, take on social responsibility and persistently act in the interests of the patients, staff and shareholders as a whole, so as to gain the recognition of medical practitioners and patients and become one of the leading enterprises in the Chinese pharmaceutical market.

Financial resources and liquidity

As at 30 June 2019, current assets of the Group amounted to approximately HK$3,901.54 million (31 December 2018: HK$3,429.05 million) and current liability of the Group amounted to approximately HK$4,247.65 million (31 December 2018: HK$4,966.85 million). Current ratio as at 30 June 2019 was 0.92 while it was 0.69 as at 31 December 2018.

As at 30 June 2019, the Group had cash and bank balance of approximately HK$965.22 million (31 December 2018: HK$912.24 million), of which were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi.

As at 30 June 2019, the Group had outstanding bank loans of approximately HK$2,260.92 million (31 December 2018: HK$2,134.35 million). All bank loans were denominated in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 2.92% to 6.89% (for the year ended 31 December 2018: 2.92% to 6.66%) per annum, in which approximately HK$1,241.30 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$283.49 million (31 December 2018: HK$250.16 million). As at 30 June 2019, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' interests, was approximately 28.6%, as compared with approximately 29.7% as at 31 December 2018.

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 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 2019, 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 2019, the Group employed 7,894 staff and workers in Hong Kong and the PRC (31 December 2018: 8,006). 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 Group has no significant contingent liabilities as at 30 June 2019 (2018: Nil).

Issue of new shares and use of proceeds

On 23 June 2014, the Company entered into a subscription agreement with CDH Giant Health I Limited for the subscription of a convertible bond in an aggregate amount of HK$300.0 million. The convertible bond can be converted into ordinary share of the Company ("**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$297.3 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 3 June 2019, the Company received a conversion notice from the holder of the convertible bond. The convertible bond was then fully converted and 222,222,222 Shares with an aggregate nominal value of approximately HK$2,222,222 were allotted and issued to the holder of the convertible bond on 3 June 2019. 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.

On 24 May 2018, the Company entered into a subscription agreement with the Shanghai China Grand Asset Finance Investment Management Co., Limited ("**Shanghai Finance**"), pursuant to which the Shanghai Finance conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue, 228,148,148 subscription shares at the subscription price of HK$5.00 per subscription share (the closing price of the Share at the date of entering the agreement (i.e. 24 May 2018, being the last trading day for the Shares before entering the agreement) was HK$6.34 per Share) for a cash consideration of approximately HK$1,141 million for the settlement of consideration for the acquisition of equity interests in a company (further details can be referred to the announcement of the Company dated 24 May 2018). For the year ended 31 December 2018, the Group has received part of the subscription money amounted to approximately HK$1,038.1 million, and in aggregate 207,624,950 subscription shares with an aggregate nominal value of approximately HK$2,076,250 have been allotted and issued. The allotment and issuance of remaining 20,523,198 subscription shares with an aggregate nominal value of approximately HK$205,232 were completed on 3 May 2019 after the subscription money amounted to approximately HK$102.6 million (equivalent to the net issue price of approximately HK$5.00 per Share) received in 2019. The received money will be used to settle the remaining consideration for the said acquisition in the second half of 2019.

Significant investment

Save as disclosed 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

No subsequent events occurred after 30 June 2019, 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 2019, 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)*	10,939,600 (L)	0.32%

(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, of which 5,000,000 shares are entrusted by the employees of the Group (who do not include any directors or connected person of the Company). By virtue of the SFO, Dr. Shao Yan shall be deemed to be interested in such 10,939,600 Shares.

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

Substantial shareholders

As at 30 June 2019, the following persons (other than the directors or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

Long and short positions in the shares of the Company:

Name of Shareholders	*Notes*	Number of the shares interested	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
Outwit Investments Limited ("**Outwit**")	*1*	1,779,649,149 (L)	Beneficial owner	52.69 (L)
Grand (Hongkong) International Investments Holdings Limited ("**Grand Investment**")	*1*	1,779,649,149 (L)	Interest of controlled corporation	52.69 (L)
Shanghai China Grand Asset Finance Investment Management Co., Limited ("**Shanghai Finance**")	*2*	286,039,153 (L)	Beneficial owner/ Interest of controlled corporation	8.47 (L)
China Grand Enterprises Incorporation ("**China Grand**")	*1*	1,779,649,149 (L)	Interest of controlled corporation	52.69 (L)
Mr. Hu Kaijun ("**Mr. Hu**")	*1&2&3*	2,106,708,302 (L)	Interest of controlled corporation	62.37 (L)
Ms. Chau Tung	*1&2&3*	2,106,708,302 (L)	Beneficial owner/ Interest in spouse	62.37 (L)
CDH Giant Health I Limited ("**CDH Giant**")	*4*	356,648,142 (L) 108,408,000 (S)	Beneficial owner	10.56 (L) 3.21 (S)
CDH Fund V, L.P. ("**CDH Fund**")	*4*	356,648,142 (L) 108,408,000 (S)	Interest of controlled corporation	10.56 (L) 3.21 (S)

Name of Shareholders	*Notes*	Number of the shares interested	Nature of interests	Approximate percentage or attributable percentage of shareholding (%)
CDH V Holdings Company Limited ("**CDH V**")	*4*	356,648,142 (L) 108,408,000 (S)	Interest of controlled corporation	10.56 (L) 3.21 (S)
China Diamond Holdings V Limited ("**China Diamond V**")	*4*	356,648,142 (L) 108,408,000 (S)	Interest of controlled corporation	10.56 (L) 3.21 (S)
China Diamond Holdings Company Limited ("**China Diamond**")	*4*	356,648,142 (L) 108,408,000 (S)	Interest of controlled corporation	10.56 (L) 3.21 (S)
Assicurazioni Generali S.p.A ("**Assicurazioni**")	*6*	280,363,959 (L) 44,570,000 (S)	Interest of controlled corporation	8.30 (L) 1.32 (S)
Mr. Li Zhenfu	*7*	280,363,959 (L) 44,570,000 (S)	Interest of controlled corporation	8.30 (L) 1.32 (S)
Lion River I N.V.	*5&6*	280,363,959 (L) 44,570,000 (S)	Interest of controlled corporation	8.30 (L) 1.32 (S)
GL Capital Management GP L.P. ("**GL Management (L.P.)**")	*5*	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL Capital Management GP Limited ("**GL Management (Limited)**")	*5*	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL China Opportunities Fund L.P. ("**GL Opportunities**")	*5*	181,069,959 (L)	Interest of controlled corporation	5.36 (L)
GL Partners Capital Management Ltd. ("**GL Partners**")	*7*	225,639,959 (L) 44,570,000 (S)	Interest of controlled corporation	6.68 (L) 1.32 (S)
GL SAINO Investment Limited ("**GL Saino**")	*5*	181,069,959 (L)	Beneficial owner	5.36 (L)

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

Note:

1. *Outwit is the beneficial owner of 1,626,671,149 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, and they were lapsed subsequently. Grand Investment (wholly-owned by China Grand) held 99.85% equity interests of Outwit, and Ms. Chau Tung, spouse of Mr. Hu, held the remaining 0.15% equity interests. Grand Investment and China Grand is therefore deemed to be interested in 1,779,649,149 Shares pursuant to the SFO.*

2. *Beijing Yuanda Huachuang Investment Co., Ltd. (北京遠大華創投資有限公司), a company wholly owned by Mr. Hu, owned 70% of the equity interests of Shanghai Finance. Shanghai Finance is the beneficial owner of 255,142,148 Shares. East Ocean Capital (Hong Kong) Limited, a wholly owned subsidiary of Shanghai Finance, also holds 30,897,005 Shares. Shanghai Finance is therefore deemed to be interested in 286,039,153 Shares pursuant to the SFO.*

3. *China Grand is controlled and ultimately and beneficially owned by Mr. Hu. Ms. Chau Tung, spouse of Mr. Hu, is also the beneficial owner of 41,020,000 Shares. Mr. Hu and Ms. Chau Tung are therefore deemed to be interested in 2,106,708,302 Shares pursuant to the SFO.*

4. *CDH Giant is the beneficial owner of 356,648,142 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, and it was lapsed subsequently. CDH Giant is wholly-owned by CDH Fund, and pursuant to the SFO CDH Fund is therefore deemed to be interested in the 356,648,142 Shares 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 Healthcare is also a beneficial owner of a put option granted by Outwit pursuant to which GL Healthcare has the right to sell 44,570,000 Shares to Outwit, and it was lapsed subsequently.*

   *GL China Long Equity Opportunities Fund SPV LP ("**GL Long Equity (SPV)**") is the beneficial owner of 54,724,000 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 54,724,000 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, The consideration shares have been issued and alloted on 24 August 2018 under the consideration shares specific mandate. 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 280,363,959 Shares and held a short position of 44,570,000 Shares. Lion River I N.V. is wholly-owned by Assicurazioni. Pursuant to the SFO Assicurazioni is therefore deemed to be interested in the 280,363,959 Shares and held a short position of 44,570,000 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 held a short position of 44,570,000 Shares, and pursuant to the SFO. Mr. Li Zhenfu is therefore deemed to be interested in the 225,639,959 Shares and held a short position of 44,570,000 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 54,724,000 Shares. Pursuant to the SFO Mr. Li Zhenfu is therefore also deemed to be interested in the 54,724,000 Shares and in aggregate, 280,363,959 Shares.*

Save as disclosed above, as at 30 June 2019, 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 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by Directors. Having made specific enquiry of the Directors, all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2019.

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 2019.

Audit Committee

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

The Group's unaudited interim financial statements for the six months ended 30 June 2019 has been reviewed by the audit committee.

Remuneration Committee

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

Nomination Committee

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

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

Hong Kong, 13 August 2019

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 2019 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 2019

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**3,587,058**	3,235,952
Cost of sales		**(1,314,579)**	(1,368,620)
Gross profit		**2,272,479**	1,867,332
Other revenue and income		**71,900**	32,553
Distribution costs		**(1,259,668)**	(1,103,298)
Administrative expenses		**(329,826)**	(272,265)
Other operating expenses		**(2,930)**	(8,402)
Share of results of associates		**12,433**	(1,964)
Finance costs		**(84,901)**	(104,374)
Profit before tax		**679,487**	409,582
Income tax expense	*4*	**(123,933)**	(71,276)
Profit for the period	*5*	**555,554**	338,306
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**85,168**	(31,601)
Other comprehensive income/(loss) for the period, net of income tax		**85,168**	(31,601)
Total comprehensive income for the period, net of income tax		**640,722**	306,705

	Note	Six months ended 30 June **2019** ***HK$'000*** **(Unaudited)**	 2018 *HK$'000* (Unaudited)
Profit for the period attributable to:			
— Owners of the Company		**546,957**	315,433
— Non-controlling interests		**8,597**	22,873
		555,554	338,306
Total comprehensive income for the period attributable to:			
— Owners of the Company		**631,465**	283,644
— Non-controlling interests		**9,257**	23,061
		640,722	306,705
Dividend	*6*	**–**	–
Earnings per share	*7*		
— Basic (HK cents)		**17.22**	13.74
— Diluted (HK cents)		**17.22**	12.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**3,207,847**	2,876,443
Investment properties		**75,174**	74,228
Prepaid lease payments		**–**	267,953
Interests in associates		**5,057,914**	5,309,989
Equity instruments at fair value through other comprehensive income		**93,075**	96,526
Deposit for acquisition of non-current assets		**–**	39,491
Goodwill		**505,023**	487,848
Intangible assets		**828,193**	815,998
Deferred tax assets		**14,265**	14,290
Prepayments		**100,625**	84,841
		9,882,116	10,067,607
Current assets			
Financial assets at fair value through profit or loss	*11*	**76,675**	45,605
Inventories		**752,421**	770,329
Trade and other receivables	*9*	**2,074,489**	1,609,311
Amounts due from related companies		**4,780**	10,832
Prepaid lease payments		**–**	7,216
Pledged bank deposits		**27,952**	73,515
Cash and cash equivalents		**965,222**	912,244
		3,901,539	3,429,052
Current liabilities			
Trade and other payables	*10*	**2,098,888**	2,342,539
Contract liabilities		**125,754**	156,432
Lease liabilities		**6,096**	–
Bank and other borrowings		**1,806,869**	1,967,352
Convertible bonds		**–**	284,725
Obligations under finance leases		**40,646**	54,097
Amounts due to related companies		**11,881**	10,529
Amounts due to immediate holding company		**4,632**	17,603
Income tax payable		**152,883**	133,571
		4,247,649	4,966,848
Net current liabilities		**(346,110)**	(1,537,796)
Total assets less current liabilities		**9,536,006**	8,529,811

	Note	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Non-current liabilities			
Bank and other borrowings		**474,537**	187,486
Bond payables		**113,671**	113,562
Deferred tax liabilities		**176,838**	179,012
Deferred income		**595,638**	595,894
Obligations under finance leases		**6,358**	19,230
		1,367,042	1,095,184
Net assets		**8,168,964**	7,434,627
Capital and reserves attributable to owners of the Company			
Share capital	*12*	**33,775**	31,348
Reserves		**7,884,122**	7,159,611
Equity attributable to owners of the Company		**7,917,897**	7,190,959
Non-controlling interests		**251,067**	243,668
Total equity		**8,168,964**	7,434,627

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital	Share premium	Contribution Share surplus premium reserve	Statutory reserve	Safety fund reserve	Translation reserve	Other reserve	Convertible bonds reserve	FVTOCI 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*	*HK$'000*
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
At 31 December 2018 (audited)	**31,348**	**5,052,102**	**121,273**	**273,165**	**28,825**	**(141,922)**	**(92,677)**	**65,979**	**862**	**1,852,004**	**7,190,959**	**243,668**	**7,434,627**
Impact of adopting HKFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51)**	**(51)**	**–**	**(51)**
At 1 January 2019 (restated) (unaudited)	**31,348**	**5,052,102**	**121,273**	**273,165**	**28,825**	**(141,922)**	**(92,677)**	**65,979**	**862**	**1,851,953**	**7,190,908**	**243,668**	**7,434,576**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**546,957**	**546,957**	**8,597**	**555,554**
Other comprehensive income for the period:													
Exchange difference on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**84,286**	**–**	**–**	**–**	**–**	**84,286**	**660**	**84,946**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**84,286**	**–**	**–**	**–**	**546,957**	**631,243**	**9,257**	**640,500**
Conversion of a convertible bond	**2,222**	**356,594**	**–**	**–**	**–**	**–**	**–**	**(65,979)**	**–**	**–**	**292,837**	**–**	**292,837**
Issue and subscription of new shares for the period	**205**	**93,175**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**93,380**	**–**	**93,380**
Dividend	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(290,471)**	**(290,471)**	**–**	**(290,471)**
Dividend distributable to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,858)**	**(1,858)**
At 30 June 2019 (unaudited)	**33,775**	**5,501,871**	**121,273**	**273,165**	**28,825**	**(57,636)**	**(92,677)**	**–**	**862**	**2,108,439**	**7,917,897**	**251,067**	**8,168,964**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	**397,812**	(211,294)
Investing activities		
Purchase of property, plant and equipment	**(146,598)**	(121,119)
Net cash outflow from acquisition of a subsidiary	**(20,485)**	–
Other cash flows arising from investing activities	**40,454**	(9,611)
Net cash used in investing activities	**(126,629)**	(130,730)
Financing activities		
Proceed from issue of equity, net	**102,616**	–
Repayments of bank loans	**(968,578)**	(1,444,655)
Proceeds from new borrowings	**1,084,595**	2,082,689
Dividend paid	**(290,471)**	–
Other cash flows arising from financing activities	**(146,046)**	(20,682)
Net cash (used in)/generated from financing activities	**(217,884)**	617,352
Net increase in cash and cash equivalents	**53,299**	275,328
Cash and cash equivalents at 1 January	**912,244**	640,842
Effect of foreign exchange rate changes	**(321)**	(11,918)
Cash and cash equivalents at 30 June	**965,222**	904,252

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 2018 annual financial statements. This consolidated interim financial results and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Report Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The financial information relating to the financial year ended 31 December 2018 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 2018 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2019.

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 2018 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2019. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position, except the adoption of HKFRS16 Lease under as described below:

On 1 January 2019, the Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

2. BASIS OF PREPARATION (CONTINUED)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment; and

(iv) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

3. REVENUE AND SEGMENT INFORMATION

For the six months ended 30 June 2019, 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.

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

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

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

	Revenue from external customers		Non-current assets	
	Six months ended 30 June		As at 30 June	As at 31 December
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
The PRC	**2,867,224**	2,479,439	**6,764,937**	6,744,831
America	**185,115**	181,067	**–**	–
Europe	**307,038**	281,662	**–**	–
Asia other than the PRC	**200,046**	254,190	**–**	–
Others	**27,635**	39,594	**–**	–
Total	**3,587,058**	3,235,952	**6,764,937**	6,744,831

Note: Non-current assets excluded deferred tax assets and a part of interests in associates.

Information about major customers

For the six months ended 30 June 2019 and 2018, 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**126,057**	69,861
Deferred tax	**(2,124)**	1,415
	123,933	71,276

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% (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before tax is stated after charging:		
Staff costs comprises:		
— Wages and salaries	**535,549**	493,991
— Retirement benefits schemes contributions	**32,147**	29,897
	567,696	523,888
Depreciation of property, plant and equipment	**113,877**	113,526
Amortisation of prepaid lease payments	**–**	3,949
Amortisation of intangible assets	**2,930**	8,402
Total depreciation and amortisation	**116,807**	125,877
Cost of inventories recognised as an expense	**1,314,579**	1,368,620
Operating leases rentals in respect of land and buildings	**8,455**	7,157
Loss on disposal of property, plant and equipment	**191**	95
Research and development costs	**95,625**	107,813
Written off of property, plant and equipment	**311**	441

6. INTERIM DIVIDEND

During the six months ended 30 June 2019, the Board declared and paid HK$0.086 per share or approximately HK$290.47 million in aggregate as final dividend for the year ended 31 December 2018 (2017: Nil).

No interim dividend has been paid or declared by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share calculation	**546,957**	315,433
Effect of dilutive potential ordinary shares:		
— Interest on convertible bonds (net of tax)	**–**	11,375
— Deferred tax arising from convertible bonds	**–**	(2,248)
Earnings for the purpose of diluted earnings per share calculation	**546,957**	324,560

	Six months ended 30 June	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**3,175,893**	2,295,188
Effect of dilutive potential ordinary shares:		
— Convertible bonds	**–**	222,222
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**3,175,893**	2,517,410

For the six months ended 30 June 2018, 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$146,598,000 (for the six months ended 30 June 2018: HK$121,119,000) on additions to property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables, net	**1,365,550**	928,865
Bills receivables	**370,423**	313,659
Prepayments	**207,000**	258,028
Deposits paid	**1,925**	469
Other tax receivables	**17,907**	30,852
Other receivables, net	**111,684**	77,438
	2,074,489	1,609,311

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade receivables	**1,442,998**	989,669
Less: Allowance for credit loss	**(77,448)**	(60,804)
Total trade receivables	**1,365,550**	928,865

The ageing analysis of the trade receivables is as follows:

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 90 days	**1,253,358**	831,589
91–180 days	**103,339**	73,678
181–365 days	**8,853**	23,598
	1,365,550	928,865

10. TRADE AND OTHER PAYABLES

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Trade payables	**395,897**	394,506
Bills payables	**303,634**	661,370
Accruals and other payables	**1,297,837**	1,137,896
Other tax payables	**101,520**	148,767
	2,098,888	2,342,539

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

	30 June 2019 HK$'000 (Unaudited)	31 December 2018 HK$'000 (Audited)
Within 90 days	**226,909**	267,262
Over 90 days	**168,988**	127,244
	395,897	394,506

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Equity securities listed in Hong Kong *(note (a))*	**50,502**	–
Unlisted wealth management products *(note (b))*	**26,173**	45,605
	76,675	45,605

Note:

(a) *At 30 June 2019, the fair value of the listed equity securities was determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.*

(b) *As at 30 June 2019 and 31 December 2018, the Group's investment in wealth management products were designed at financial assets at fair value through profit or loss of which fair values are determined by reference to the quoted market bid prices available on the relevant PRC market.*

12. SHARE CAPITAL

	Ordinary shares of HK$0.01 each			
	30 June 2019		31 December 2018	
	Number of shares *'000* **(Unaudited)**	**Amount** *HK$'000* **(Unaudited)**	Number of shares *'000* (Audited)	Amount *HK$'000* (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	**3,134,825**	**31,348**	2,237,012	22,370
Conversion of a convertible bond *(note (a))*	**222,222**	**2,222**	22,222	222
Right issue *(note (b))*	**–**	**–**	394,146	3,941
Issue under subscription *(note (c))*	**20,523**	**205**	481,445	4,815
At the end of the period/year	**3,377,570**	**33,775**	3,134,825	31,348

12. SHARE CAPITAL (CONTINUED)

Note:

(a) *On 3 June 2019, the Company issued of ordinary shares to the convertible bonds holders of 222,222,222 shares of par value HK$0.01 as result of the conversion of bond with principal amount of HK$300,000,000.*

On 8 March 2018, the Company issued of ordinary shares to the convertible bonds holders of 22,222,222 shares of par value HK$0.01 as result of the conversion of bond with principal amount of HK$30,000,000.

(b) *On 5 September 2018, the Company placed to the qualifying shareholders of 394,146,288 shares of par value HK$0.01 each at a placing price of HK$5.20 for a total consideration, before expenses, of HK$2,049,560,000. The proceeds used for paying the Company's funding contribution in relation to the Sirtex Acquisition.*

(c) *On 31 August 2018, 7 September 2018, 3 October 2018 and 3 May 2019, the Company placed to Shanghai China Grand Asset Finance Investment Management Co., Limited of 36,020,000, 34,100,000, 137,504,950 and 20,523,198 shares of par value HK$0.01 each at placing price HK$5.00 respectively for total consideration, before expense, of HK$1,140,740,740. The proceeds used for paying the acquisition of Taiwan Tung Yang International Company Limited and the Company's general working capital.*

On 15 January 2018, the Company placed to Mr. Huang Xiaohua of 47,750,000 shares of par value HK0.01 each at placing price of HK$2.24 for total consideration, before expenses, of HK$106,960,000. The proceeds of the subscription was used to replenish the Company's cash used for acquisition.

On 24 August 2018, the Company issued 181,069,959 consideration shares to GL Saino Investment Limited of par value HK$0.01 each at issue price of HK$4.20, for total consideration, before expenses of HK$760,494,000. The proceeds of the issue of shares was used as cash payment in relation of acquisition of Taiwan Tung Yang International Company Limited.

On 12 September 2018, the Company placed to Oasis Investment II Master Fund Ltd of 45,000,000 shares of par value HK$0.01 each at issue price of HK$5.20, for total consideration, before expenses of HK$234,000,000. The proceeds mainly be used as the cash payment in relation to the Sirtex Acquisition.

13. 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**6,414**	3,866
In the second to fifth year inclusive	**–**	3,164
	6,414	7,030

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$176,000 (2018: HK$155,000). The Group had future minimum lease receipts from tenants under non-cancellable operating lease which fall due as follows:

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**346**	451
In the second to fifth year inclusive	**236**	362
	582	813

13. COMMITMENTS (CONTINUED)

(b) Capital commitment

	30 June 2019 *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
Capital expenditure contracted but not provided for:		
Acquisition of property, plant and equipment	**11,882**	13,374

14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2019 (2018: Nil)

CORPORATE INFORMATION

Executive directors

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

Independent non-executive directors

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

Company secretary

Mr. Foo Tin Chung, Victor

Authorised representatives

Mr. Liu Chengwei
Mr. Foo Tin Chung, Victor

Audit committee

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

Remuneration committee

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

Nomination committee

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

Website

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Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Legal advisers

As to Bermuda Law:
Conyers Dill & Pearman

As to Hong Kong Law:
Loeb & Loeb LLP

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Bank of China

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Principal office

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