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: 0512)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The board of directors (the "Board") 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 2008 of the Company and its subsidiaries (collectively the "Group"), together with comparative figures for the previous period. The unaudited interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 HK$'000 (Unaudited)	2007 HK$'000 (Unaudited)
Turnover	3	**33,297**	22,268
Cost of sales		**(17,808)**	(12,090)
Gross profit		**15,489**	10,178
Other income		**9,074**	2,704
Distribution expenses		**(19,696)**	(8,909)
Administrative expenses		**(15,708)**	(16,003)
Other operating expenses		—	(700)
Finance costs		**(5,679)**	(3,478)
Share of results of associates		**468**	260
Loss before tax	5	**(16,052)**	(15,948)
Taxation	6	—	—
Loss for the period		**(16,052)**	(15,948)
Attributable to:			
— Equity holders of the Company		**(16,060)**	(15,081)
— Minority interests		**8**	(867)
		(16,052)	(15,948)
Dividend	7	—	—
Loss per share	8		
— Basic		**(1.50) cents**	(1.40) cents
— Diluted		**N/A**	N/A

* *For identification purpose only*

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Notes	30 June 2008 HK$'000 (Unaudited)	31 December 2007 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**36,187**	35,441
Interests in leasehold land held for own use under operating leases		**4,653**	4,435
Investment properties		**72,885**	70,696
Interests in associates		**4,808**	4,340
		118,533	114,912
Current assets			
Inventories		**11,914**	8,078
Trade and other receivables	*9*	**16,231**	8,308
Interests in leasehold land held for own use under operating leases — current portion		**119**	119
Cash and cash equivalents		**33,615**	67,282
		61,879	83,787
Current liabilities			
Trade and other payables	*10*	**64,087**	52,515
Short-term bank loans — secured		**64,464**	92,307
Other loans — secured		**21,423**	14,423
		149,974	159,245
Net current liabilities		**(88,095)**	(75,458)
Total assets less current liabilities		**30,438**	39,454
Non-current liabilities			
Amount due to holding company		**17,565**	13,408
Provision for staff welfare and bonus		**72,112**	67,889
		89,677	81,297
		(59,239)	(41,843)
Capital and reserves			
Share capital		**10,739**	10,739
Reserves		**(71,027)**	(53,562)
Equity attributable to equity holders of the Company		**(60,288)**	(42,823)
Minority interests		**1,049**	980
		(59,239)	(41,843)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Significant accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those of the annual financial statements for the year ended 31 December 2007. In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning on 1 January 2008.

HK(IFRIC)-INT 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new HKFRSs had no significant effect on the Group's results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new standards, amendments and interpretations that have been issued but are not yet effective. The Group is currently assessing the potential impact of these standards, amendments and interpretations but are not yet in a position to state whether they would have a material financial impact on the Group's results and financial position.

3. Turnover

Turnover represents the net amounts received and receivable for goods sold.

4. Segmental information

(a) Business segments

For management purpose, the Group is currently organised into two divisions: manufacturing and sales of pharmaceutical and health products and properties holding for earning rental income.

Segment information about these businesses is presented below:

Group	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Consolidated	
	30 June 2008	31 December 2007	**30 June 2008**	31 December 2007	**30 June 2008**	31 December 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Assets						
Segment assets	**66,603**	52,564	**72,885**	70,696	**139,488**	123,260
Interests in associates	**4,808**	4,340	**—**	—	**4,808**	4,340
Unallocated corporate assets	**—**	—	**—**	—	**36,116**	71,099
	71,411	56,904	**72,885**	70,696	**180,412**	198,699
Liabilities						
Segment liabilities	**209,336**	207,039	**—**	—	**209,336**	207,039
Unallocated corporate liabilities	**—**	—	**—**	—	**30,315**	33,503
	209,336	207,039	**—**	—	**239,651**	240,542

Group	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Consolidated	
	30 June 2008	30 June 2007	**30 June 2008**	30 June 2007	**30 June 2008**	30 June 2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment Revenue						
Turnover	**33,297**	22,268	**—**	—	**33,297**	22,268
Other income	**—**	—	**4,130**	2,376	**4,130**	2,376
	33,297	22,268	**4,130**	2,376	**37,427**	24,644
Segment Result	**(11,280)**	(10,689)	**1,988**	471	**(9,292)**	(10,218)
Other unallocated income					**3,210**	578
Unallocated corporate expenses					**(4,760)**	(3,090)
Finance costs					**(5,678)**	(3,478)
Share of results of associates					**468**	260
Loss for the period					**(16,052)**	(15,948)

(b) Geographical segments

The Group's turnover for the six months ended 30 June 2008 are substantially made to customers based in the PRC and the operations and assets are substantially located in the PRC. Accordingly, no separate analysis for the geographical segment information is presented.

5. Loss before tax

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss before tax has been arrived at after charging:		
Amortisation of intangible assets	**—**	700
Depreciation of property, plant and equipment	**2,241**	2,882
Depreciation of investment properties	**2,142**	1,905
Amortisation of interests in leasehold land held for own use under operating lease	**63**	59
Loss/(gain) on disposal of property, plant and equipment	**49**	(521)
and after crediting:		
Rental income	**4,130**	2,376
Interest income	**764**	231

6. Tax

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2008 (2007: Nil) as the Company and its subsidiaries which operate in Hong Kong have no assessable profits for both periods.

The subsidiaries operate in the PRC during the period are subject to PRC enterprise income tax at a rate of 18%. No provision for PRC enterprise income tax has been made as these subsidiaries incurred losses during both periods.

7. Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

8. Loss per share

The calculation of basic loss per share for the six months ended 30 June 2008 is based on the loss attributable to equity holders of the Company of HK$16,060,000 (2007: HK$15,081,000) and on 1,073,934,000 shares (2007: 1,073,934,000) ordinary shares in issue during the period.

Diluted loss per share for both periods has not been presented as there were no dilutive shares outstanding during the six months periods ended 30 June 2008 and 2007.

9. Trade and other receivables

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**14,004**	6,435
Deposits, prepayments and other receivables	**2,227**	1,873
	16,231	8,308

The aging analysis of trade receivables is set out below:

Within 90 days	**10,404**	6,439
91 — 180 days	**3,893**	141
181 — 365 days	**46**	97
Over 365 days	**3,331**	3,137
	17,674	9,814
Less: accumulated impairment	**(3,670)**	(3,379)
	14,004	6,435

The normal credit period granted by the Group is on average 90 days.

10. Trade and other payables

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**3,308**	2,846
Accrued charges and other creditors	**60,779**	49,669
	64,087	52,515

All trade payables were aged less than one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the six months ended 30 June 2008, the Group recorded a turnover of HK$33,297,000 which represents an increase of 50% as compared with the corresponding period last year. Such increase was a result of the increase in promotion activities on the health drinks and mineral water product line.

Gross profit for the period under review was HK$15,489,000 as compared to HK$10,178,000 for the previous period. The gross margin achieved during the current period was 47% which was slightly better than the 46% margin achieved for the same period last year.

The Group reported a consolidated loss attributable to equity holders of the Company of HK$16,060,000 as compared with a loss of HK$15,081,000 for the same period last year. Such increase was mainly attributable to the increase in marketing expenses during the period.

Prospects

As the Group completed the acquisition of Wuhan Grand Pharmaceutical Group Company Limited ("Wuhan Grand") and the disposal of Bright Strong Profits Limited ("Bright Strong") in July 2008, the results for the first half of 2008 mainly represented the results of Bright Strong and its subsidiaries and did not reflect the results of Wuhan Grand and its subsidiaries.

Turnover of Wuhan Grand was approximately RMB400 million for the year ended 31 December 2007 and it exported approximately 30% direct and through agents to overseas markets in Africa, America, Asia and Europe. Profits after taxation of Wuhan Grand for the year ended 31 December 2007 amounted to approximately RMB20 million. Net asset value of Wuhan Grand was approximately RMB150 million as at 31 December 2007 before taking into account of an appreciation of land and buildings of approximately RMB100 million.

Wuhan Grand is one of the largest manufacturers of Analgin in the PRC. Another product of Wuhan Grand, Tirofiban, has recorded rapid growth in sales in recent years and it dominates the PRC hospital market as a key anti-platelet drug for the treatment of cardiovascular disease. Two other products, Adrenaline Bitartrate and Noradrenaline Bitartrate, are certified by Food and Drug Administration of USA and are exported to the USA market.

Acquisition of Wuhan Grand enables the Group to enter the PRC pharmaceutical market which is expected to provide a constant growth in the coming years. The Group will also leverage on the management expertise of Wuhan Grand to further expand into the PRC market.

Following the disposal of Bright Strong, the Group is able to get rid of a loss making business which made up of most of the losses incurred by the Group in the past years.

The Group aims to become one of the largest pharmaceutical and healthcare manufacturers in the PRC through generic growth and acquisitions.

Financial resources and liquidity

As at 30 June 2008, the Group had current assets of HK$61,879,000 (31 December 2007: HK$83,787,000) and current liabilities of HK$149,974,000 (31 December 2007: HK$159,245,000). The current ratio was 0.41 at 30 June 2008 as compared with 0.53 at 31 December 2007.

The Group's cash and bank balances as at 30 June 2008 amounted to HK$33,615,000 (31 December 2007: HK$67,282,000), of which 7% were denominated in Hong Kong and United States Dollars and 93% in Renminbi.

As at 30 June 2008, the Group had outstanding short term bank loans of HK$64,464,000 (31 December 2007: HK$ 92,307,000), all of which were denominated in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 6.57% to 7.34% (for the six months ended 30 June 2007: 6.44% to 7.34%) per annum. These bank loans were secured by certain properties owned by the Group. The gearing ratio of the Group, measured by bank borrowings and other short term loans as a percentage of issued share capital, was 800% at 30 June 2008 as compared with 994% at 31 December 2007.

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

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 Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company's 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 2008.

Code on corporate governance practices

The Company has complied with the code provisions listed in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2008, with the exception of code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the period under review, both posts were vacant.

Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2008.

By Order of the Board
Liu Chengwei
Chairman

Hong Kong, 22 September 2008

As at the date of this announcement, the Board comprises of two executive Directors, namely, Mr. Liu Chengwei and Mr. Hu Bo, and two independent non-executive Directors, namely, Ms. So Tosi Wan, Winnie and Mr. Lo Kai Lawrence.