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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)

2015 INTERIM RESULTS ANNOUNCEMENT

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 2015 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 2015

		Six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	1,576,901	1,627,705
Cost of sales		<u>(960,392)</u>	<u>(1,047,088)</u>
Gross profit		616,509	580,617
Other revenue and income		21,130	22,306
Distribution costs		(296,933)	(302,329)
Administrative expenses		(166,538)	(170,324)
Other operating expenses		(6,631)	(482)
Share of results of associates		(142)	261
Finance costs		<u>(64,662)</u>	<u>(50,978)</u>
Profit before tax		102,733	79,071
Income tax expense	5	<u>(21,938)</u>	<u>(17,621)</u>
Profit for the period	6	<u>80,795</u>	<u>61,450</u>

		Six months ended 30 June	
		2015	2014
		HK\$'000	HK\$'000
	<i>Note</i>	(Unaudited)	(Unaudited)
Other comprehensive (loss)/income			
Exchange difference on translation of foreign operations		<u>(190)</u>	<u>210</u>
Other comprehensive (loss)/income for the period		<u>(190)</u>	<u>210</u>
Total comprehensive income for the period		<u>80,605</u>	<u>61,660</u>
Profit for the period attributable to:			
- Owners of the Company		79,130	60,376
- Non-controlling interests		<u>1,665</u>	<u>1,074</u>
		<u>80,795</u>	<u>61,450</u>
Total comprehensive income attributable to:			
- Owners of the Company		78,959	60,553
- Non-controlling interests		<u>1,646</u>	<u>1,107</u>
		<u>80,605</u>	<u>61,660</u>
Dividend	7	<u>-</u>	<u>-</u>
Earnings per share	8		
- Basic (HK cents)		<u>4.03 cents</u>	<u>3.08 cents</u>
- Diluted (HK cents)		<u>3.97 cents</u>	<u>3.08 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		2,362,628	2,291,205
Prepaid lease payments		269,692	272,010
Interests in associates		246,540	6,332
Available-for-sale financial assets		39,844	39,844
Deposit for acquisition of non-current assets		4,050	5,018
Goodwill		161,153	124,682
Intangible assets		141,240	68,454
Deferred tax assets		3,161	1,294
Prepayments		28,590	22,358
Loan receivables		26,250	26,250
		3,283,148	2,857,447
Current assets			
Financial asset at fair value through profit or loss		-	50,000
Inventories		510,762	516,565
Trade and other receivables	9	1,371,147	981,749
Loan receivables		30,421	23,750
Prepaid lease payments		6,773	6,631
Pledged bank deposits		121,554	94,138
Cash and cash equivalents		813,622	460,401
		2,854,279	2,133,234
Current liabilities			
Trade and other payables	10	1,166,915	1,121,522
Bank borrowings		2,086,290	1,083,584
Bank overdraft		1,848	12,457
Obligations under finance leases		49,819	5,733
Income tax payable		47,466	49,510
		3,352,338	2,272,806
Net current liabilities		(498,059)	(139,572)
Total assets less current liabilities		2,785,089	2,717,875
Non-current liabilities			
Bank borrowings		233,749	420,000
Convertible bonds		253,228	245,659
Obligations under finance leases		194,272	1,993
Deferred tax liabilities		57,204	58,976
Amount due to holding company		22,975	21,866
Deferred income		638,259	661,014
		1,399,687	1,409,508
Net assets		1,385,402	1,308,367
Capital and reserves attributable to owners of the Company			
Share capital		19,620	19,620
Reserves		1,169,563	1,093,791
Equity attributable to owners of the Company		1,189,183	1,113,411
Non-controlling interests		196,219	194,956
Total equity		1,385,402	1,308,367

Notes:

1. Review of interim results

The interim results 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 2014 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 report are consistent with those adopted by the Group in the 2014 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2015. 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 2014 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 2014 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 March 2015.

3. Turnover

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

4. Segment information

For the six months ended 30 June 2015, the Group is principally engaged in manufacture and sales of pharmaceutical, healthcare and chemical products. The board of directors, 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.

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 turnover 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:

	Turnover from external customers		Non-current assets	
	Six months ended 30 June 2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
The PRC	1,163,580	1,152,564	3,240,143	2,816,309
America	98,587	90,154	-	-
Europe	158,139	212,409	-	-
Asia other than the PRC	135,389	163,987	-	-
Others	21,206	8,591	-	-
Total	1,576,901	1,627,705	3,240,143	2,816,309

Note: Non-current assets excluded available-for-sale financial assets and deferred tax assets.

Information about major customers

For the six months ended 30 June 2015 and 2014, none of the Group's sales to a single customer amounted to 10% or more of the Group's total turnover.

5. Income tax expenses

Taxation in the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	23,896	19,317
Deferred tax	(1,958)	(1,696)
	21,938	17,621

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% (2014: 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 ("HNTE") operating within a High and New Technology Development Zone are entitled to a reduced Enterprise Income Tax ("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.

6. Profit for the period

	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax is stated after charging:		
Staff costs comprises:		
- Wages and salaries	195,416	195,967
- Retirement benefits schemes contributions	13,689	12,760
	209,105	208,727
Depreciation of property, plant and equipment	77,732	72,666
Amortisation of prepaid lease payments	3,702	5,072
Amortisation of intangible assets	6,153	4,504
Total depreciation and amortisation	87,587	82,242
Cost of inventories recognised as an expense	960,392	1,047,088
Operating leases rentals in respect of land and buildings	5,571	5,109
Loss/(gain) on disposal of property, plant and equipment	22	(58)
Research and development costs	29,978	34,400
Written off of property, plant and equipment	92	1,258

7. 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 (2014: Nil).

8. 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	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of basic earnings per share calculation	79,130	60,376
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds (net of tax)	10,420	-
- Deferred tax arising from convertible bonds	(2,059)	-
Earnings for the purpose of diluted earnings per share calculation	87,491	60,376

	Six months ended 30 June	
	2015 '000 (Unaudited)	2014 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,962,041	1,962,041
Effect of dilutive potential ordinary shares:		
- Convertible bonds	244,444	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<u>2,206,485</u>	<u>1,962,041</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

9. Trade and other receivables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade receivables	762,910	349,547
Bills receivables	158,421	314,940
Other receivables, deposits and prepayments	475,417	341,557
Less: impairment loss on other receivables	<u>(25,601)</u>	<u>(24,295)</u>
	<u>1,371,147</u>	<u>981,749</u>

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

Within 90 days	637,552	324,148
91-180 days	102,594	28,951
181-365 days	27,665	8,305
Over 365 days	<u>27,530</u>	<u>20,387</u>
	795,341	381,791
Less: accumulated impairment	<u>(32,431)</u>	<u>(32,244)</u>
	<u>762,910</u>	<u>349,547</u>

The Group allows a credit period of 30 to 90 days to its trade customers.

10. Trade and other payables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Trade payables	323,627	290,609
Bills payables	379,925	364,721
Accrued charges and other creditors	<u>463,363</u>	<u>466,192</u>
	<u>1,166,915</u>	<u>1,121,522</u>

The aging analysis of trade payables is set out below:

Within 90 days	229,741	212,334
Over 90 days	<u>93,886</u>	<u>78,275</u>
	<u>323,627</u>	<u>290,609</u>

11. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2015 (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in research and development, manufacturing and sales of pharmaceutical preparations, pharmaceutical intermediates, specialized pharmaceutical raw materials and healthcare products. The core products of pharmaceutical preparations include cerebro-cardiovascular medicines, ENT products such as ophthalmic medicines, medicines for anti-bacterial and antibiotics, antipyretic and analgesic, etc. The major products of pharmaceutical intermediates and specialized raw materials include steroid hormones, amino acids and anti-bacterial and antibiotics products, etc., and our healthcare core products include taurine, etc.

The Group places great importance on the development of new potential products, while it strives for the opportunities to explore international markets. In April 2015, the Group and 上海沐翼投資管理合夥企業（有限合夥）(Shanghai Mui Investment Management Partnership (Limited Partners)[#]) (“**Shanghai Mui**”), a subsidiary of 國開裝備製造產業投資基金有限責任公司 (CDB Equipment Manufacturing Investment Fund Co., Ltd.[#]), acquired 73% equity interest of Cardionovum GmbH (“Cardionovum”), a German company, through Cardionovum Holding Co., Limited (“**Hong Kong JV**”). The Group holds approximately 33.3% equity interest in the Hong Kong JV. The major market of Cardionovum is in the European region, mainly engaged in development, production and distribution of advanced cardiovascular interventional medical devices. Upon completion of this acquisition, the Group can extend its varieties of cardiovascular medical equipment, sales network and raise turnover amount. It can also carry out numerous international trade channels to enhance penetration of the international market. Upon completion of this transaction, the Hong Kong JV will become the global headquarter of Cardionovum, being responsible for the global business operations of Cardionovum, including product development, production, sales and marketing innovation. In addition, the Group together with the Hong Kong JV will then set up a joint venture in the PRC, which will be responsible for the establishment of production platforms and the construction of distribution networks. It will introduce the treatment of coronary artery, peripheral blood vessels and curing illnesses brought by hemodialysis-induced angiotenosis with advanced products and technologies to the PRC market in order to provide more advanced medical products to the mass.

In the last few years, in addition to its effort to develop new products through research and development and expand its core product pool, the Group introduced a variety of high-potential products through various mergers and acquisitions and joint ventures, etc., so as to diversify its products range in the core treatment area. In January 2015, the Group completed the acquisition of approximately 73.3% equity interest in Tianjin Jingming New Technology Development Co., Ltd. (“**Tianjin Jingming**”). Tianjin Jingming is a company specialising in sales and research and development of ophthalmic medical devices and surgical disposable materials. For the six months ended 30 June 2015, it contributed total turnover of approximately RMB20.7 million to the Group, while the gross profit margin was approximately 75.4%. Moreover, the Group launched Methoxamine Hydrochloride Injection in the second half of last year, which also brought a turnover of approximately RMB 15.86 million during the current period.

For the six months ended 30 June 2015, benefiting from the introduction and contribution of new products, the gross profit of the Group was increased by approximately HK\$35.89 million to approximately HK\$616.51 million in compare with the same period of last year, with an increment rate of approximately 6.18%. Meanwhile, turnover was decreased by approximately 3.1% in compare with the same period of last year to about HK\$1,576.90 million, mainly due to the reduction in production of Steroid Hormones and its intermediates during the period due to technological innovation and meeting GMP certification. The certification was completed and the related products will start contributing from the second half of the year and onward. With the guidance of the Group’s long-term development plan, the types and directions of the products, as well as the sales model and markets, etc are growing into more diversified and multi-targeted phase which enable the Group in the time of tackling the fade out products together with the growing of competition due to the decline in some particular drugs price, to maintain a stable profit growth and competitive advantages.

On 16 July 2015, the Company published an announcement in related to the board lot size for trading in the ordinary shares of the Company (the “**Shares**”) on the Stock Exchange of Hong Kong Limited will be changed from 20,000 Shares to 4,000 Shares with effect from 9:00 a.m. on 6 August 2015. The change in board lot size will not result in any change in the relative rights of the holders of the Shares and is expected to improve the trading liquidity in the Shares and facilitate the trading in the Shares.

Turnover

For the six months ended 30 June 2015, the Group recorded a turnover of approximately HK\$1,576.90 million, remaining at substantially the similar level as that for the same period of 2014, which was mainly because: (1) in the past the Group had been focusing on improving its production efficiency, while in this year it adopted a production and operating strategy which emphasized on optimizing product structure and took economic benefits of the products as a priority in order to improve the overall gross profit margin of the Group; and (2) due to the delay in obtaining the latest GMP certificate for certain products and the slow progress in obtaining international certifications for some products, production of various products of the Group did not commence as scheduled, affecting the turnover during this period. The Group believes that it will be able to obtain such certifications within in a short period so that its production and sales target can be achieved as soon as practicable. As a result of the continuous positive results of implementation of the product structure adjustment strategy mentioned above, the Group recorded an average gross profit margin of approximately 39.1% during the reporting period and increased by approximately 3.4% from the same period of 2014.

Pharmaceutical Preparations

The pharmaceutical preparations are the major sources of profit of the Group, which the core products are cerebro-cardiovascular, ophthalmic, antibacterial and antibiotics medicines etc., and the anti-tumor medicines which are new products of the Group. During the six months period ended 30 June 2015, the turnover amount of pharmaceutical preparations was approximately RMB492.75 million and was increased by approximately RMB14.97 million in compare with same period of last year.

- Cerebro-cardiovascular medicines

The cerebro-cardiovascular medicines are the core product and the business growth engine of the Group. During the six months period ended 30 June 2015, the turnover amount of cerebro-cardiovascular medicines was approximately RMB218.89 million, which was at a similar level as last year. Norepinephrine Bitartrate injection which is used for emergency purpose recorded the turnover amount of approximately RMB70.98 million and was increased by approximately 10.2% as compared with the same period of last year. Methoxamine Hydrochloride injection, which is used for emergency purpose during surgeries, has been launched in the market. The Group will implement various marketing strategies to increase the market recognition to this product and aims to build it up as another major product with turnover over hundred million dollars.

- Ophthalmic medicines and other pharmaceutical preparations

During the current period under review, ophthalmic medicine recorded a turnover amount of RMB102.95 million, which increased by approximately 26.2% in comparison to the first six months of 2014. Polyvinyl Alcohol Eyedrops, a non-prescription ophthalmic medicine which was endeavored to be promoted by the Group, recorded turnover amount of approximately RMB29.90 million and increased by approximately 26.4% compared with the same period of last year. It is expected to continue the growth in the second half of this year. Another great potential product Bing Zhen Qing Mu Eyedrops also recorded turnover amount of approximately RMB7.46 million and represented an increment of approximately 85.8%. The Group will design individual development strategies in according to the characteristic and scope of each ophthalmic medicines product, enforcing the academic promotion such as organizing and participating various academic forums to promote the brand of the Group and its products. Also the Group will continuously carry out different media promotions such as using internet video and social media, etc.

The Anti-viral Oral Solutions, a product of Grand Huangshi Feiyun, also recorded a turnover amount of approximately RMB12.25 million during this period, while it was approximately RMB20.78 million in the corresponding period of last year. This is mainly due to the sales channel of Grand Huangshi Feiyun was changed from sales through agency to self-distribution in order to have a better control in the selling expenses and sales networks. Those related new contracts are gradually engaged, it is expected that the agency fee will be significantly adjusted after this adjustment period and thus the profit contribution from those related products will be enhanced.

Pharmaceutical Intermediates

The pharmaceutical intermediates are another major products of the Group which include pharmaceutical raw materials such as Analgin, Metronidazole and Chloramphenicol and other amino acid products. For the six months period ended 30 June 2015, the turnover amount of pharmaceutical intermediates was approximately RMB322.63 million, while it was approximately RMB354.47 million in the same period of 2014. This is mainly due to the price of pharmaceutical raw materials were adjusted to cope with the market situation.

- Amino acids products

During the period under review, the turnover amount of the amino acids products of the Group was approximately RMB170.92 million, which was increased by approximately 6.8% compared with the same period of last year. The major product N-acetyl-L-cysteine maintained a strong growth during the current period with turnover amount of approximately RMB32.73 million, which was increased by approximately 45.1% compared with the same period of last year. This is mainly due to the enhancement of production capacity in the new plant at Fuchi area and the enhancement of production technology resulted to the increase in production and the provision of our products to high-end market.

Steroid Hormones and its Intermediates

The Group is one of the few steroid hormones raw materials manufacturers in the PRC, and our products quality has been accepted by the PRC and overseas customers. During the first half of 2015, the new products of the Group, Betamethasone Dipropionate and Betamethasone Valerate, have obtained the GMP certificate, and it is expected to commence production and launch in the market by the second half of this year. During the current period under review, the turnover amount of steroid hormones intermediates was approximately RMB112.72 million while it was approximately RMB165.63 million in the same period of last year. This was mainly resulted from the temporarily reduction in the production volume and turnover amount due to undertaking the technological innovation and meeting GMP certification. Notwithstanding, the renewal of GMP certificate for Betamethasone had been completed together with the above two new products during the current period under review, it is expected the production will then be resumed and the volume will even be expanded in the second half of this year which may bring in the contributions in the foreseeable future.

Healthcare and Chemical Products

The healthcare and chemical products manufactured and sold by the Group include Taurine, Calcium Superphosphate and Dimethyl Sulfate and the bio-pesticides and bio-feed additives products which already have certain market shares and are well recognized by customers. During the first six months of 2015, the turnover amount of the relevant products was approximately RMB315.75 million with an increment of approximately 6.6% in comparison to the same period of last year.

- Taurine

With the benefit from the continuous enhancement in production technology and the resulted improvement in product quality and production efficiency, the Taurine of the Group maintained a stable growth. During the current period, Taurine recorded a turnover amount of approximately RMB114.65 million, increased by approximately 10.9% as compared with the same period of last year.

- Chemical products

During the first half of 2015, the turnover amount of the chemical products which including traditional fertilizer and chemical products such as Phosphate Fertilizer, Compound Fertilizer and Dimethyl Carbonate, etc. was approximately RMB115.76 million. In the meantime, the Group is in the process of phase out the traditional fertilizer products which generate lower gross profit margin in order to allow the Group to grow into a high-end bio-fertilizer products area and cope with the change of national policy and market pricing adjustment.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the period were approximately HK\$296.93 million

and HK\$166.54 million respectively, while it was approximately HK\$302.33 million and HK\$170.32 million respectively in the same period of last year. The reduction of these two expenses were mainly due to the Group has strengthened the control over its operation cost which encouraging resources to be reallocated in a more effective way where productivity can be improved and efficiency can be achieved.

Finance Costs

During the first six months in 2015, the finance costs of the Group were approximately HK\$64.66 million, while they were approximately HK\$50.98 million during the same period of 2014. The increment was mainly due to the interest expenses arising from the issuance of convertible bonds by the Company during the second half of last year, which were used for the payment of possible acquisition and merger transactions and for the general working capital purpose.

Outlook and Future Prospects

The PRC has took over Japan to become the second largest pharmaceutical market in the world, following the United States. According to information published at Boao Forum 2015, the total size of the PRC pharmaceutical market amounted to RMB1,280.2 billion for 2014, representing a year-on-year growth of 13.3%. The market size is expected to further grow by about 11.5% year-on-year to RMB1,427.3 billion in 2015, the growth pace gradually slow down. With the further advancement of the PRC medical reform and the implementation of tender reform and policies aimed to lower prices of medicines, more efforts had been made to control the cost of medical insurance and counter commercial bribe, and considerable progress has been achieved in the adoption of market-based pricing policies for medical services. As China's overall GDP growth rate slowed down to 7%, the growth pace of government spending in medical and health sector will also slow down. All these factors will have significant impacts on the PRC pharmaceutical market.

As a result of such new model of market development, the PRC pharmaceutical industry is also undergoing profound changes. On one hand, the PRC pharmaceutical enterprises must further upgrade their production facilities, obtain the latest GPM certificates, an increase in input of investment in research and development, expand into the areas of biological medicine and medical device, or introduce internationally advanced technologies and products for promotion in the PRC market, in order to maintain steady organic growth. At the same time, the number of consolidation and acquisition transactions in the PRC pharmaceutical industry significantly increased. According to a report from 中國證券網 (www.cnstock.com) published in August 2015, there were 149 cases of mergers and acquisitions of listed pharmaceutical companies in the PRC capital market in the first half of 2015, increased by 36% from 109 cases during the same period of last year and with a total transaction amount of over RMB30 billion. In addition, according to an analysis report of Deutsche Bank, sales of multinational corporations in the PRC were also badly hit in the first half of 2015, only recording a growth rate of single digit. Nevertheless, PRC is still a market with vast potential and multinational pharmaceutical enterprises are adjusting their strategies by enhancing investments and cooperation in the PRC pharmaceutical market to seek strategic alliance. Both domestic and foreign pharmaceutical enterprises are striving to capture the opportunities arising from the development of the PRC pharmaceutical market.

In view of the development status of the PRC pharmaceutical market and in order to alleviate the impacts of factors such as the downward trend of internal growth in the industry in recent years and the slow approval process for new drugs, the Group has been fine-tuning its product structure by focusing on pharmaceutical preparations and products with high profit margin and starting to expand into the medical device area, which has produced positive results, as evident in the significant improvement in the Group's gross profit margin. In particular in respect of expansion, the Group has seized the opportunities by leveraging its years of experience in mergers and acquisitions and development and focusing on its core therapeutic areas, from mergers and acquisitions to expand its product mix, to acquisitions of enterprises with exclusive and reputable products, and to acquisitions of enterprises enjoying internationally leading technological advantages. Furthermore, in view of the worsening living environment, aging population and lack of orphan diseases medication in the PRC, the Group has made investments in and planning for the relevant areas, which are expected to produce great results and help deliver the promises of the management of the Group in achieving steady growth and maximize the returns to its shareholders and investors.

Purchase, Sale or Redemption of Shares

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Shares.

Employees and Remuneration Policy

As at 30 June 2015, the Group employed about 5,400 staff and workers in Hong Kong and the PRC (31 December 2014: about 5,400). 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.

Material Acquisitions and Disposals

On 21 April 2015, the Company entered into an agreement with 上海沐翼投資管理合夥企業(有限合伙) (Shanghai Muyi Investment Management Partnership (Limited Partners)[#]) and agreed to acquire approximately 33.3% equity interest in the Hong Kong JV at the total consideration of US\$24.3 million. According to the relevant agreements, Hong Kong JV will acquire 73% equity interest in Cardionovum at the total consideration of US\$73 million. After the completion of the above 2 transactions, Hong Kong JV and Cardionovum will become associates of the Group. Furthermore, the Group will establish a new company in the PRC with Hong Kong JV. The registered capital is US\$1.0 million in which the Group will subscribed 67%. It will then become an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, the transactions of subscribing the Hong Kong JV and Cardionovum have been completed.

Subsequent Events

On 17 July 2015, the Group entered into a subscription agreement and a put option deed with 寧波鼎暉錦繡投資管理有限公司 (Ningbo CDH Jinxiu Investment Management Company Limited[#]) (the “**Ningbo CDH**”), and agreed to acquire approximately 67% equity interest in 北京九和藥業有限公司 (Beijing Jiu He Pharmaceutical Limited[#]) (the “**Jiu He**”) at the consideration of RMB452 million. Also it was agreed to grant a right to Ningbo CDH for requiring the Group to acquire the 30% equity interest of Jiu He held by Ningbo CDH. This transaction has been completed in July 2015.

Save as disclosed above, no subsequent events occurred after 30 June 2015, which may have a significant effect, on the assets and liabilities of future operations of the Group.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the 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 2015.

Code of Corporate Governance Practices

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 of the Listing Rules during the six months ended 30 June 2015.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the 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 include the two independent non-executive directors Mr. Lo Kai Lawrence and Dr. Pei Geng.

The Group’s unaudited interim financial statements for the six months ended 30 June 2015 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 include the executive director Mr. Liu Chengwei and the independent non-executive director Mr. Lo Kai Lawrence.

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 include the executive director Dr. Shao Yan and the independent non-executive director Mr. Lo Kai Lawrence.

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

Hong Kong, 17 August 2015

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

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

** For identification purpose only.*