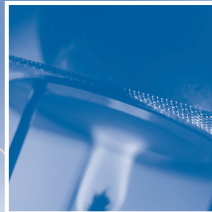




**China Grand Pharmaceutical and
Healthcare Holdings Limited**
遠大醫藥健康控股有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 00512



Interim Report 2009

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 2009 of the Company and its subsidiaries (collectively the "Group"), together with comparative figures for the previous period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Note	Six months ended 30 June	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Continuing operation			
Turnover	3	277,814	33,297
Cost of sales		(149,309)	(17,808)
Gross profit		128,505	15,489
Other income		2,146	4,966
Fair value gain on issuance of promissory note		17,244	—
Distribution expenses		(52,410)	(19,696)
Administrative expenses		(48,324)	(13,566)
Finance costs		(16,430)	(5,679)
Share of results of associates		2,340	468
Profit/(loss) before tax	5	33,071	(18,018)
Income tax	6	(3,361)	—
Profit/(loss) for the period from continuing operation		29,710	(18,018)
Discontinued operation			
Profit for the period from discontinued operation		—	1,966
		29,710	(16,052)
Attributable to:			
— Owners of the Company		22,190	(16,060)
— Minority interests		7,520	8
		29,710	(16,052)
Dividend	7	—	—
Earnings/(loss) per share	8		
Continuing and discontinued operations			
— Basic		2.07 cents	(1.50) cents
— Diluted		1.94 cents	N/A
Continuing operation			
— Basic		2.07 cents	(1.68) cents
— Diluted		1.94 cents	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2009*

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	29,710	(16,052)
Exchange difference on translation of foreign operations	5	(1,344)
Total comprehensive income for the period, net of tax	29,715	(17,396)
Attributable to:		
Owners of the Company	22,193	(17,465)
Minority interests	7,522	69
	29,715	(17,396)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2009*

	Note	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	136,541	132,237
Interests in leasehold land held for own use under operating leases		198,945	201,467
Interests in associates		39,085	36,745
Available-for-sale financial assets		21,202	21,202
Intangible assets		1,415	1,579
		397,188	393,230
Current assets			
Inventories		52,380	64,295
Trade and other receivables	10	103,137	64,821
Interests in leasehold land held for own use under operating leases — current portion		5,044	5,044
Bank balances and cash		52,050	42,501
		212,611	176,661
Current liabilities			
Trade and other payables	11	143,404	142,240
Bank loans — secured		90,909	77,273
Tax payable		3,433	2,118
		237,746	221,631
Net current liabilities		(25,135)	(44,970)
Total assets less current liabilities		372,053	348,260
Non-current liabilities			
Bank loans — secured		18,182	18,181
Deferred taxation		43,963	44,683
Amount due to holding company		21,847	19,951
Convertible bond		50,512	48,296
Promissory note		120,531	128,191
		255,035	259,302
		117,018	88,958
Capital and reserves			
Share capital	12	10,739	10,739
Reserves		16,062	(6,131)
Equity attributable to owners of the Company		26,801	4,608
Minority interests		90,217	84,350
		117,018	88,958

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2009*

	Share capital	Share premium	Convertible bond reserve	Statutory reserve	Translation reserve	Accumulated losses	Equity attributable to owners of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2009	10,739	94,457	3,256	1,732	(146)	(105,430)	4,608	84,350	88,958
Exchange difference on translation of foreign operations	—	—	—	—	3	—	3	2	5
Profit for the period	—	—	—	—	—	22,190	22,190	7,520	29,710
Dividend declared	—	—	—	—	—	—	—	(1,655)	(1,655)
As at 30 June 2009	10,739	94,457	3,256	1,732	(143)	(83,240)	26,801	90,217	117,018
At 1 January 2008	10,739	94,457	—	148,158	(68,554)	(227,623)	(42,823)	980	(41,843)
Exchange difference on translation of foreign operations	—	—	—	—	(1,405)	—	(1,405)	61	(1,344)
Loss for the period	—	—	—	—	—	(16,060)	(16,060)	8	(16,052)
As at 30 June 2008	10,739	94,457	—	148,158	(69,959)	(243,683)	(60,288)	1,049	(59,239)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW*For the six months ended 30 June 2009*

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from/(used in) operating activities	4,980	(24,125)
Net cash used in investing activities	(9,896)	(1,188)
Net cash from/(used in) financing activities	13,878	(5,790)
Net increase/(decrease) in cash and cash equivalents	8,962	(31,103)
Cash and cash equivalents at 1 January	42,501	67,282
Effect of foreign exchange rate changes	587	(2,564)
Cash and cash equivalents at 30 June, representing		
Bank balances and cash	52,050	33,615

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Basis of preparation

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

The condensed interim financial information has been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK\$25,135,000 as at 30 June 2009.

In the opinion of the directors, the Group should be able to maintain itself as a going concern by taking into consideration the proposed arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses; and
2. the directors have implemented measures to tighten cost controls over various distribution costs and administrative expenses and to improve the Group's cash flow position and operating results.

On the basis that the Group obtained the continuing availability of the banking facilities provided by its banks and the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 30 June 2009. Accordingly, the directors are satisfied that it is appropriate to prepare these condensed interim financial information on a going concern basis. The condensed interim financial information does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. Significant accounting policies

The condensed consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008 except as described below.

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 2009.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008 except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 to HKAS 39

The adoption of the new HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting periods except for the presentation requirements of HKAS 1 (Revised). Accordingly, no prior period adjustment has been required.

The Group has not early applied the new standards, amendments and interpretations that have been issued but are not yet effective. The Group is in the process of assessing the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs will have a significant impact on how its results of operations and financial position are prepared and presented.

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 engaged in manufacturing and sales of pharmaceutical and healthcare products.

The Group was also involved in properties holding for earning rental income which was discontinued on 17 July 2008 subsequent to the disposal of subsidiaries.

Segment information about these businesses is presented below:

	Continuing operation		Discontinued operation		Consolidated	
	Manufacturing and sales of pharmaceutical and healthcare products		Properties holding for earning rental income			
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment Revenue						
Turnover	277,814	33,297	—	—	277,814	33,297
Other income	2,146	4,966	—	4,108	2,146	9,074
	279,960	38,263	—	4,108	279,960	42,371
Segment Result	28,371	(11,280)	—	1,966	28,371	(9,314)
Other unallocated income					17,244	—
Unallocated corporate expenses					(1,815)	(1,527)
Finance costs					(16,430)	(5,679)
Share of profit of associates					2,340	468
Profit/ (loss) for the period					29,710	(16,052)

	Continuing operation		Discontinued operation		Consolidated	
	Manufacturing and sales of pharmaceutical and healthcare products		Properties holding for earning rental income			
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Assets						
Segment assets	518,421	490,269	—	—	518,421	490,269
Interests in associates	39,085	36,745	—	—	39,085	36,745
Unallocated corporate assets	—	—	—	—	52,293	42,877
	557,506	527,014	—	—	609,799	569,891
Liabilities						
Segment liabilities	189,475	185,244	—	—	189,475	185,244
Unallocated corporate liabilities	—	—	—	—	303,306	295,689
	189,475	185,244	—	—	492,781	480,933

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of operations and assets are attributed to the segments based on the location of assets.

	PRC		America		Europe		Asia other than PRC		Others		Consolidated	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment Revenue												
Turnover	200,335	33,297	31,483	—	14,831	—	24,377	—	6,788	—	277,814	33,297
Other income	2,146	4,966	—	—	—	—	—	—	—	—	2,146	4,966
	202,481	38,263	31,483	—	14,831	—	24,377	—	6,788	—	279,960	38,263
	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment Assets	609,799	569,891	—	—	—	—	—	—	—	—	609,799	569,891

5. Profit/(loss) before tax

	Continuing operation		Discontinued operation		Consolidated	
	30 June 2009 HK\$'000 (Unaudited)	30 June 2008 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)	30 June 2008 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)	30 June 2008 HK\$'000 (Unaudited)
Profit/(loss) before tax is stated after charging:						
Staff costs (excluding directors' emoluments):						
— Wages and salaries	32,366	8,336	—	—	32,366	8,336
— Retirement benefits schemes contribution	3,848	499	—	—	3,848	499
	36,214	8,835	—	—	36,214	8,835
Share of tax of associates	413	39	—	—	413	39
Cost of inventories recognised as expense	149,309	17,808	—	—	149,309	17,808
Depreciation of property, plant and equipment	4,993	2,241	—	—	4,993	2,241
Depreciation of investment properties	—	—	—	2,142	—	2,142
Amortisation of interests in leasehold land held for own use under operating leases	2,640	63	—	—	2,640	63
Operating lease rentals in respect of land and building	108	88	—	—	108	88
Gain on disposal of property, plant and equipment	14	49	—	—	14	49

6. Income tax

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC	4,079	—
Deferred tax		
Hong Kong	(159)	—
PRC	(559)	—
	3,361	—

No provision for Hong Kong profits tax has been made for the six months ended 30 June 2009 (2008: Nil) as the Company and its subsidiaries which operate in Hong Kong have no assessable profits for both periods.

Wuhan Grand Pharmaceutical Group Company Limited, a subsidiary of the Group was exempted from PRC enterprise income tax for the two years starting from 2005 and is entitled to a 50% reduction for the following three years in accordance with Articles 8 of Income Tax Law of PRC for enterprises with Foreign Investment and Foreign Enterprises. All corresponding PRC enterprise income tax relating to the taxable profit of Wuhan Grand Pharmaceutical Group Company Limited during the period has been recognized in the consolidated income statement at the tax rate of 12.5%. All other PRC subsidiaries operate in the PRC during the period are subject to the tax rate of 25%.

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

8. Earnings/(loss) per share

Continuing and discontinued operations

The calculation of the basic and diluted earnings/ (loss) per share from continuing and discontinued operations attributable to the ordinary owners of the Company is based on the following data:

Earnings

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss) for the purpose of basic earnings/(loss) per share	22,190	(16,060)
Effect of dilutive potential ordinary shares:		
Interests on convertible bond (net of tax)	1,850	—
Earnings/(loss) for the purpose of diluted earnings/ (loss) per share	24,040	(16,060)

Number of share

	Six months ended 30 June	
	2009	2008
	(Unaudited)	(Unaudited)
Number of ordinary shares for the purpose of basic earnings per share	1,073,934,000	1,073,934,000
Effect of dilutive potential ordinary shares:		
Convertible bond	166,666,667	—
Number of ordinary shares for the purpose of diluted earnings per share	1,240,600,667	1,073,934,000

Diluted loss per share from continuing and discontinued operations for the six months ended 30 June 2008 has not been presented as there were no dilutive shares outstanding during the period.

Continuing operation

The calculation of the basic and diluted earnings/(loss) per share from continuing operation attributable to the ordinary owners of the Company is based on the following data:

Earnings

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings/(loss) for the period attributable to owners of the Company	22,190	(16,060)
Less: Profit for the period from discontinued operation	—	1,966
Earnings/ (loss) for the purpose of basic earnings/(loss) per share from continuing operation	22,190	(18,026)
Effect of dilutive potential ordinary shares:		
Interests on convertible bond (net of tax)	1,850	—
Earnings/(loss) for the purpose of diluted earnings/(loss) per share from continuing operation	24,040	(18,026)

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

Diluted loss per share from continuing operation for the six months ended 30 June 2008 has not been presented as there were no dilutive shares outstanding during the period.

Discontinued operation

Basic and diluted earnings per share from discontinued operation for the six months ended 30 June 2009 have not been presented as there were no discontinued operation during the period.

Basic earnings per share from discontinued operation for the six months ended 30 June 2008 is HK\$0.18 cents, which is based on the profit from discontinued operation of HK\$1,966,000 and on 1,073,934,000 ordinary shares in issue during the period.

Diluted earnings per share from discontinued operation for the six months ended 30 June 2008 has not been presented as there were no dilutive shares outstanding during the period.

9. Property, plant and equipment

During the period, the Group disposed of certain property, plant and equipment with a carrying amount of HK\$11,000 for proceeds of HK\$25,000, resulting in a profit on disposal of HK\$14,000.

In addition, the Group spent HK\$9,921,000 on additions to property, plant and equipment to upgrade its production facilities.

10. Trade and other receivables

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade receivables	62,196	22,462
Bills receivables	19,545	25,276
Deposits, prepayments and other receivables	27,433	22,472
Less: impairment loss	(6,037)	(5,389)
	103,137	64,821

The aging analysis of trade receivables is set out below:

Within 90 days	56,678	19,879
91 — 180 days	6,315	2,033
181 — 365 days	1,050	558
Over 365 days	28,318	35,392
	92,361	57,862
Less: accumulated impairment	(30,165)	(35,400)
	62,196	22,462

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

11. Trade and other payables

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Trade payables	70,179	41,367
Accrued charges and other creditors	73,225	100,873
	143,404	142,240

The aging analysis of trade payables is set out below:

Within 90 days	49,463	22,357
Over 90 days	20,716	19,010
	70,179	41,367

12. Share capital

	Ordinary shares of HK\$0.01 each			
	30 June 2009		31 December 2008	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
At beginning of period/year	100,000,000	1,000,000	100,000,000	1,000,000
At end of period/year	100,000,000	1,000,000	100,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year	1,073,934	10,739	1,073,934	10,739
At end of period/year	1,073,934	10,739	1,073,934	10,739

13. Commitments

The Group had the following future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	30 June 2009 HK\$'000 (Unaudited)	31 December 2008 HK\$'000 (Audited)
Within one year	172	73

14. Contingent liabilities

The Group has no significant contingent liabilities as at 30 June 2009.

15. Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

16. Approval of the interim financial information

The condensed consolidated interim financial information was approved and authorised for issue by the Board on 31 August 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The results for the six months ended 30 June 2009 mainly represented the results of Wuhan Grand Pharmaceutical Group Company Limited ("Wuhan Grand") and its subsidiaries while the results for the first half of 2008 mainly represented the results of Bright Strong Profits Limited ("Bright Strong") and its subsidiaries. The Group completed the acquisition of Wuhan Grand and the disposal of Bright Strong in July 2008. Details of the acquisition and the disposal were set out in the Company's circular dated 23 June 2008.

For the six months ended 30 June 2009, the Group recorded a turnover of HK\$277,814,000 (2008: HK\$33,297,000) which represents an increase of 734% as compared with the corresponding period last year. Gross profit of the Group for the period under review was HK\$128,505,000 (2008: HK\$15,489,000), representing an increase of 730% as compared with the same period last year. The gross margin achieved during the current period was about 46% (2008: 47%).

The Group reported a consolidated profit attributable to owners of the Company of HK\$22,190,000 as compared with a loss of HK\$16,060,000 for the same period last year. The turnaround in performance was mainly attributable to the profit contributions from Wuhan Grand and a fair value gain on issuance of promissory note in February 2009.

Operating results

For the six months ended 30 June 2009, the Group's operating results will be as follow after excluding the fair value gain and the imputed and coupon interest expenses related to the convertible bond and the promissory note.

(in Hong Kong dollar thousands)

Profit attributable to owners of the Company	22,190
Less: Fair value gain on issuance of promissory note	(17,244)
Add: Coupon interests on convertible bond and promissory note	3,750
Add: Imputed interests on convertible bond and promissory note	8,049
	16,745

Wuhan Grand

For the six months ended 30 June 2009, turnover of Wuhan Grand amounted to about HK\$278 million. After tax profit was about HK\$25 million representing an increase of 43% as compared with the same period last year.

Wuhan Grand is mainly engaged in the development, production and sales of pharmaceutical preparations, pharmaceutical raw materials and intermediate products.

Sales of pharmaceutical preparations account for approximately 60% of the annual sales. These products are mainly focus on cardiovascular, ophthalmic and antibiotic areas. Tirofiban, a key anti-platelet drug for the treatment of cardiovascular disease, has recorded a 54% growth in sales in the first half of 2009 and it dominates the PRC hospital market. Pirenoxine Sodium eye drop and Ganciclovir eye drop are our core ophthalmic drugs, while Enoxacin Gluconate is our core antibiotic product.

Wuhan Grand is one of the largest manufacturers of Analgin and Metronidazole in the PRC. Two other products, namely Adrenaline Bitartrate and Noradrenaline Bitartrate, were certified by the Food and Drug Administration of USA and are exported to the USA market. Sales of these pharmaceutical raw materials and intermediate products account for about 40% of the annual sales.

PROSPECTS

The State Council announced in April 2009 “The Opinion Relating to the Intensification of the Medical and Public Health Systems Reform” 《關於深化醫療衛生體制改革的意見》 and “The Latest Implementation Emphasis Scheme for the Pharmaceutical and Public Health Systems Reform (2009-2011)” 《醫藥衛生體制改革近期重點實施方案(2009-2011)》. Governments at all levels in the PRC are expected to commit RMB850 billion in the next three years in order to accelerate and promote the establishment of a primary healthcare protection scheme. This is anticipated to bring more business opportunities to the pharmaceutical industry as a whole.

Also, the pharmaceutical market in the emerging markets including the PRC is expected to grow at a rate of 12-13% annually which would result in good prospect for the market.

The Group will fully capitalise on the opportunities arising from the PRC pharmaceutical and public health systems reform by expanding its product range and market share, enhancing its research and development capability and improving its sales network.

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

Financial resources and liquidity

As at 30 June 2009, the Group had current assets of HK\$212,611,000 (31 December 2008: HK\$176,661,000) and current liabilities of HK\$237,746,000 (31 December 2008: HK\$221,631,000). The current ratio was 0.9 at 30 June 2009 as compared with 0.8 at 31 December 2008.

The Group's bank balances and cash as at 30 June 2009 amounted to HK\$52,050,000 (31 December 2008: HK\$42,501,000), of which 5% were denominated in Hong Kong and United States Dollars and 95% in Renminbi.

As at 30 June 2009, the Group had outstanding bank loans of HK\$109,091,000 (31 December 2008: HK\$95,454,000), all of which were in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 5.31% to 5.58% (for the year ended 31 December 2008: 6.23% to 7.84%) per annum. These bank loans were pledged by properties of the Group with a net book value of HK\$249,620,000 (31 December 2008: HK\$236,094,000). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was 1016% at 30 June 2009 as compared with 889% at 31 December 2008.

As at 30 June 2009, the convertible bond payable was approximately HK\$50,512,000 (31 December 2008: HK\$48,296,000). The promissory note payable was approximately HK\$120,531,000 (31 December 2008: HK\$128,191,000). The coupon rate for the convertible bond and the promissory note is 5% per annum. The principal and the accrued interest for the convertible bond and the promissory note are repayable on 15 July 2010 and 23 February 2011 respectively.

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.

Employees and remuneration policy

As at 30 June 2009, the Group employed about 2,400 staff and workers in Hong Kong and the PRC. The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

OTHER INFORMATION

Directors' and chief executive's interests in shares

As at 30 June 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Substantial shareholders

As at 30 June 2009, 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 would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Long positions in the shares of the Company:

Name of shareholder	Number of shares held	Percentage of the Company's issued share capital
Outwit Investments Limited	913,646,321 (Note 2)	73.65% (Note 2)
Mr Hu Kaijun (Note 1)	913,646,321 (Note 2)	73.65% (Note 2)

Notes:

- These shares are held by Outwit Investments Limited, the entire issued share capital of which is wholly owned by Mr Hu Kaijun.
- Out of the total 913,646,321 shares, 746,979,654 shares (representing approximately 69.56% of the total issued share capital of the Company) are issued shares beneficially owned by Outwit Investments Limited, and 166,666,667 shares are to be issued upon full conversion of the convertible bond held by Outwit Investments Limited, details of which were set out in the circular of the Company dated 23 June 2008.

Save as disclosed herein, no other person is recorded in the register kept pursuant to Section 336 of the SFO as having an interest of 5% or more in the issued share capital of the Company as at 30 June 2009.

Share option scheme

No share options were granted or exercised under the share option scheme during the six months ended 30 June 2009 and there were no outstanding share options as at 30 June 2009.

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 2009.

Model code for securities transactions

The Company has adopted 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 2009.

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 2009.

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 comprises of all independent non-executive directors namely, Ms So Tosi Wan, Winnie (Chairman), Mr Lo Kai Lawrence and Mr Xin Dongsheng.

The Group's unaudited interim financial information for the six months ended 30 June 2009 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 Mr Liu Chengwei with two independent non-executive directors namely, Ms So Tosi Wan, Winnie and Mr Lo Kai Lawrence as members.

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

Hong Kong, 31 August 2009

CORPORATE INFORMATION

Executive directors

Mr Liu Chengwei (*Chairman*)
Mr Hu Bo (*Deputy Chairman*)
Mr Shao Yan (*Chief Executive Officer*)

Non-executive director

Mr Zhang Ji

Independent non-executive directors

Ms So Tosi Wan, Winnie
Mr Lo Kai Lawrence
Mr Xin Dongsheng

Company secretary

Mr Lau Wing Yuen

Authorised representatives

Mr Liu Chengwei
Mr Lau Wing Yuen

Audit committee

Ms So Tosi Wan, Winnie (*Chairman*)
Mr Lo Kai Lawrence
Mr Xin Dongsheng

Remuneration committee

Mr Liu Chengwei (*Chairman*)
Ms So Tosi Wan, Winnie
Mr Lo Kai Lawrence

Website

www.chinagrandpharm.com

Auditors

SHINEWING (HK) CPA Limited

Legal advisers

Mason Ching & Associates
Li & Partners Solicitors
Conyers, Dill & Pearman

Principal share registrar

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre, 11 Bermudiana Road
Pembroke HM08, Bermuda

Hong Kong branch share registrar

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

Principal banker

The Hongkong and Shanghai Banking
Corporation Limited

Registered office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Principal office

Room 2501A, Hopewell Centre
183 Queen's Road East, Hong Kong