

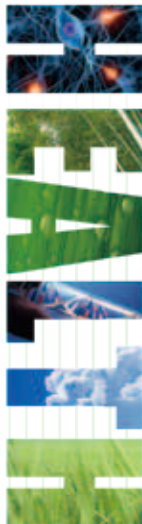


**CHINA GRAND PHARMACEUTICAL AND
HEALTHCARE HOLDINGS LIMITED**

遠大醫藥健康控股有限公司

(Incorporated in Bermuda with limited liability) Stock Code: 00512

INTERIM REPORT 2012



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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 intermediates include cerebro-cardiovascular medicines, ophthalmic drops and gel, antipyretic and analgesic medicines, 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 commits to expand business through self-expansion and acquisition of related medical assets in order to maintain relatively high growth rate, and it also aims to become one of the largest manufacturers of pharmaceutical and healthcare products in the PRC.

During the first half of 2012, the Group acquired approximately 2.28% additional equity interest in Grand Pharm (China) Company Limited ("Grand Pharm (China)"), and thus resulted the equity interest held by the Group in Grand Pharm (China) increased from approximately 73.67% to 75.95%. The Board is optimistic on the future development of Grand Pharm (China), and is of the view that the acquisition of additional equity interest in Grand Pharm (China) may allow the Group to consolidate its control over Grand Pharm (China) and generate good return from its growing business in the future.

Furthermore, the Group also entered a subscription agreement in February 2012 to issue 41,240,000 new shares of the Company ("Share(s)") at HK\$0.333 each Share. The issuance of new Shares may not only enlarge the shareholder bases of the Group, the proceeds from this transaction may also support the business development of the Group, including the settlement of the consideration for the acquisition of equity interest of Grand Pharm (China) and for other working capital purpose.

Turnover

For the six months ended 30 June 2012, the Group recorded a turnover of approximately HK\$1,059 million, which increased by approximately 26.0% compared with the same period of last year. The turnover from the core pharmaceutical preparations of the Group such as cerebro-cardiovascular medicines and ophthalmic medicines recorded substantial increment, while the business of other major products such as pharmaceutical intermediates and specialized pharmaceutical raw materials also maintain constant. During the period under review, the average gross profit margin of the Group was approximately 31.8%, while it was approximately 32.9% in the first six months of 2011.

Pharmaceutical Preparations

The pharmaceutical preparations are the major sources of profit of the Group, which the core products include cerebro-cardiovascular, ophthalmic, antibacterial and antibiotics medicines, etc. During the six months period ended 30 June 2012, the turnover amount of pharmaceutical preparations was approximately RMB274.84 million (equivalent to approximately HK\$337.64 million) and was increased by approximately 26.6% compared with the same period of last year.

– *Cerebro-cardiovascular medicines*

The cerebro-cardiovascular medicine is the core product and the business growth engine of the Group. During the six months period ended 30 June 2012, the Group expanded the sales network in the second-tier cities of PRC, and thus the turnover of the cerebro-cardiovascular medicines of the Group recorded approximately RMB112.75 million (equivalent to approximately HK\$138.51 million) and was increased by approximately 89% compared with the same period of last year. The Tirofiban, an anti-platelet drug, recorded a turnover of approximately RMB41.54 million (equivalent to approximately HK\$51.03 million) and was increased by approximately 28.0% compared with the same period of last year. Other cerebro-cardiovascular medicines such as Noradrenaline Bitartrate also had approximately RMB30.13 million (equivalent to approximately HK\$37.01 million) turnover amount, while it was approximately RMB5.05 million (equivalent to approximately HK\$6.20 million) in the same period of 2011.

– *Ophthalmic medicines and other pharmaceutical preparations*

The Group is one of the ophthalmic medicine manufacturers in the PRC with the most advance technology and the largest production scale, and our antibacterial products also played as leading roles in the PRC pharmaceutical preparations market. During the current review period, the Group has explored a new sales channel for an ophthalmic medicine Polyvinyl Alcohol in Shanghai and also focused on the promotion of anti-infectious ophthalmic medicines which contain antibiotics, such as Levofloxacin Hydrochloride. As a result, the turnover amount of ophthalmic medicines increased by approximately 30.6% to approximately RMB66.41 million (equivalent to approximately HK\$81.58 million) compared with the six months period ended 30 June 2011. During the first six months of this year, the antibiotics products such as Metronidazole also recorded approximately RMB23.07 million (equivalent to approximately HK\$28.34 million) turnover amount, which was increased by approximately RMB2.26 million (equivalent to approximately HK\$2.78 million) compared with the same period of last year.

Pharmaceutical intermediates

The pharmaceutical intermediates are also major products of the Group, which include pharmaceuticals raw materials such as Analgin, Metronidazole and Chloramphenicol and other amino acids products. For the six months period ended 30 June 2012, the turnover amount of pharmaceutical intermediates was approximately RMB289.23 million (equivalent to approximately HK\$355.32 million), while it was approximately RMB268.8 million (equivalent to approximately HK\$330.22 million) in the same period of 2011.

– Pharmaceutical raw materials

During the six months period ended 30 June 2012, the turnover amount of pharmaceuticals raw materials was approximately RMB160.9 million (equivalent to approximately HK\$197.67 million) which is similar as those in the same period of last year. The turnover amount of Chloramphenicol, a raw material of antibiotics which the Group commenced the development since 2011, was approximately RMB36.49 million (equivalent to approximately HK\$44.83 million). It was approximately 18.1% more than the full year amount in 2011, and it is expected to have continuous contribution to the Group.

– Amino acids products

The Group is one of the largest manufacturers of amino acids products in the PRC. Other than the Acetyl Cysteine series, the Group is also developing other amino acids products such as L-cysteine HCl Monohydrate. For the six months period ended 30 June 2012, the turnover amount of the amino acids products of the Group was approximately RMB128.34 million (equivalent to approximately HK\$157.67 million), which was increased by approximately 18.0% compared with the same period of last year.

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. Certain products have passed the quality assurance test of Europe EDQM and received Europe COS certification. In order to cope with the growing demand of customers, the Group is constructing a new plant in Jiangsu. It is expected to commence production in this year, and it will enhance the production capacity and technology for steroid hormones raw materials of the Group. During the current review period, the turnover amount of steroid hormones of the Group was approximately RMB99.76 million (equivalent to approximately HK\$122.55 million) and was increased by approximately 8.3% compared with the same period of last year.

– Glucocorticoid

The Glucocorticoid products of the Group include Betamethasone and Dexamethasone, which are the raw materials for anti-inflammatory and anti-allergic medicines. The Betamethasone is currently staying at the leading position in the PRC. The turnover amount of these 2 Glucocorticoid products during this six months period was approximately RMB82.62 million (equivalent to approximately HK\$101.50 million), which was increased by approximately 6.2% compared with the same period of last year.

Healthcare and chemical products

The healthcare and chemical products manufactured and sold by the Group include Taurine, Calcium Superphosphate and Dimethyl Sulfate, which are well-known brands in the market and are well recognized by customers. During the first six months of 2012, the turnover amount of the relevant products was approximately RMB138.58 million (equivalent to approximately HK\$170.25 million), which was increased by approximately 16.7% compared with the same period of last year.

– *Taurine*

The Group is one of the largest exporters of Taurine in the PRC. Several production technology enhancement projects were completed in 2011 and thus the product quality and production efficiency were enhanced. As a result the turnover amount during the period was approximately RMB43.74 million (equivalent to approximately HK\$53.73 million) and was approximately RMB11.13 million (equivalent to approximately HK\$13.67 million) more than the same period of last year.

Distribution costs and administrative expenses

Distribution costs and administrative expenses of this period was approximately HK\$175.13 million and HK\$117.36 million respectively, while it was approximately HK\$134.84 million and HK\$99.50 million respectively in the same period of last year. The increment of these two expenses was mainly due to the turnover amount increased by approximately 26.0% in this period. It is also contributed by the business restructuring and expansion of production scale.

Finance costs

For the six months period ended 30 June 2012, the finance costs of the Group were approximately HK\$21.98 million, while they were approximately HK\$10.17 million during the six months period ended 30 June 2011. The increment was mainly due to the addition of short-term loans which are financing the short-term operation expenses during the expansion of production capacities and reallocation of production plants.

Outlook and Future Prospects

According to the 12th Five-Year Plan of the PRC, there will be the situation of the pharmaceutical industry in the future that there are five enterprises with sales revenue of RMB50 billion each, and 100 enterprises with sales revenue of more than RMB10 billion each, which account for 50% or above market share in total.

The Group aims to develop into the top 100 pharmaceutical conglomerates that are most characterized by the products of niche market, and to become one of the fastest growing companies among the pharmaceutical sector in Hong Kong capital market.

As a latecomer in the pharmaceutical market in the PRC, merger and acquisition are one of the best ways to form core assets and have a certain speaking right in the market within a short period of time. In particular, since there are currently 4,678 manufacturers of raw materials and preparations (according to the statistics of the State Food and Drug Administration in 2010) in the PRC, "scale" is one of the necessary hardware to build its status in the industry. In addition to continuing to improve capacity and sales scale, the Group also achieved many significant results in such respects as exploiting inherent growth potential of the entity, improving product quality and obtaining international certification for their core products. Furthermore, the Group will create opportunities for the development, production capacity expansion and marketing for more core products by leveraging on the great opportunity of relocation and equipment replacement.

Regarding the structure of our main products, currently, approximately 69% of the sales was derived from pharmaceutical intermediates and raw materials, and approximately 31% from the sales of ophthalmic medicines and cerebro-cardiovascular medicines. In terms of gross profit, 60% of them derived from preparations products and the remaining 40% from other products. These percentages will change significantly as the relocation, expansion and construction of production bases will be completed in the late of 2013, which may not only affect the proportion of revenue from preparations and intermediates raw materials, but also may facilitate the quality and production scale of core intermediates raw materials to meet the leading level in the world. In the pharmaceutical preparation sector, the Group has been focused on some special market sectors, such as research & development and sales on products pipeline in the areas such as ophthalmology (ENT) and cerebro-cardiovascular emergency medicines have achieved satisfactory results. In addition, as the new plant in Jiangsu of Zhejiang Xianju Xianle Pharmaceutical Company Limited, a subsidiary of the Group, will be completed and put into production, the Group will become a vital and powerful player engaged in steroid hormones product series in the global market in the future, and will also engage in the research and development of high-end products of such series and become one of the enterprises having state-of-the-art core technologies, thus turn into one of the best performers in terms of technology and product quality in this field in the global market.

Moreover, the Group has already had an insight into the directions of the 12th Five-Year Plan in relation to biological technology advancement issued by the Ministry of Science and Technology of the PRC, and has been committed to the study of biological technology together with the advancement and production of existing product technologies focusing on chemical technology in the areas such as asset merger and acquisition and products pipeline. It is believed that we will certainly make satisfying achievements in the science and technology soon, in anticipation of creating a great opportunity for investors to explore and gain better-than-expected investment return.

Financial Resources and Liquidity

As at 30 June 2012, current assets of the Group amounted to HK\$1,712,498,000 (31 December 2011: HK\$1,087,425,000) and current liability of the Group amounted to HK\$1,712,057,000 (31 December 2011: HK\$1,030,797,000). Current ratio at 30 June 2012 was 1.00 while it was 1.05 as at 31 December 2011.

As at 30 June 2012, the Group has cash and bank balance (including secured bank deposit) of approximately HK\$708,340,000 (31 December 2011: HK\$410,287,000), of which approximately 26.5% were denominated in Hong Kong and US Dollars and approximately 73.5% in Renminbi.

As at 30 June 2012, the Group had outstanding bank loans of HK\$1,288,914,000 (31 December 2011: HK\$732,065,000). Included in the bank loans, there were bank loans of approximately HK\$378,281,000 which were dominated in the US Dollars. All other bank loans were denominated in Renminbi. The interest rates charged by banks ranged from 3.75% to 6.941% (for the year ended 31 December 2011: 2.5% to 7.22%). Certain bank loans were pledged by assets of the Group with net book value of approximately HK\$235,403,000 (31 December 2011: HK\$189,047,000). As at 30 June 2012, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' interests, was approximately 191%, as compared with approximately 115% as at 31 December 2011. Such increase was mainly due to the increase in bank borrowings.

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

The Group intends to principally finance its operations and investing activities with its operating revenue, internal resources and bank facilities. The directors of the Company believe that the Group has a healthy financial position and has sufficient resources to satisfy its capital expenditure and working capital requirement. The Group adopted a conservative treasury policy with most of the bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimize exposure to foreign exchange risks. As at 30 June 2012, 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 2012, the Group employed about 4,000 staff and workers in Hong Kong and the PRC (31 December 2011: 3,700). 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.

Subsequent event

On 3 July 2012, all shareholders of Grand Pharm (China) (including China Grand Pharmaceutical (Hong Kong) Limited, a wholly-owned subsidiary of the Company (the "China Grand (Hong Kong)") of Grand Pharm (China) passed a written resolution, in which it was agreed to increase the registered capital of the Grand Pharm (China) from RMB185,000,000 to RMB498,000,000. China Grand (Hong Kong) had conditionally agreed to contribute, or to procure its wholly-owned subsidiary to contribute, the entire additional capital into the Grand Pharm (China) at a consideration of approximately RMB359,950,000 (the "Capital Injection"). Outwit Investments Limited, the substantial shareholder of the Company, has approved the Capital Injection in writing. The circular in related to the Capital Injection will be despatched to the shareholders of the Company on or before 14 September 2012.

OTHER INFORMATION

Directors' and chief executive's interests in shares

As at 30 June 2012, the Directors and the Company's chief executives, 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 ("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 and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, or were required to be entered in the register kept by the Company pursuant to the Section 352 of the SFO:

Long Position in the Company

Name of Director	Capacity	Number of Ordinary shares	Approximate Percentage of total number of Shares
Shao Yan	Interests in spouse <i>(Note)</i>	1,000,000	0.05%

Note: Dr Shao Yan, a director of the Company, is the spouse of Ms Tian Wen Hong who is the holder of the above shares. By virtue of the SFO, Dr Shao Yan shall be deemed to be interested in such 1,000,000 Shares.

Substantial shareholders

As at 30 June 2012, 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	1,228,275,094	62.60%
Mr Hu Kaijun (<i>Note</i>)	1,228,275,094	62.60%

Note: these shares are held by Outwit Investments Limited, the entire issued share capital of which is wholly owned by Mr Hu Kaijun.

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 2012.

Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30 June 2012.

Model code for securities transactions

The Company has adopted 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 2012.

Code on 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 2012, except the following:

Code provision A.1.8 of the CG Code requires that the Company should arrange appropriate insurance cover in respect of legal action against its directors. Up to the date of this report, the Company has not arranged to purchase any insurance which covers in respect of legal action against the directors of the Company. While the Company is committed to achieving high standards of corporate governance and to complying with the CG Code, the Company decided to delay the compliance with such code provision as the Board is currently considering quotations from different underwriters and will select the insurance with the most cost-efficient and will arrange for appropriate insurance coverage as soon as possible.

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 2012 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
Liu Chengwei
Chairman

Hong Kong, 30 August 2012

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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 2012 of the Company and its subsidiaries (collectively the "Group"), together with comparative figures for the previous period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover	3	1,059,000	840,438
Cost of sales		(722,351)	(564,082)
Gross profit		336,649	276,356
Other income		14,443	12,062
Distribution costs		(175,126)	(134,844)
Administrative expenses		(117,360)	(99,504)
Other operating expenses		(177)	(171)
Share of results of associates		211	295
Finance costs		(21,980)	(10,173)
Profit before tax		36,660	44,021
Income tax expense	5	(2,744)	(5,595)
Profit for the period	6	33,916	38,426
Other comprehensive (loss)/income			
Exchange difference on translation of foreign operations		(7,670)	13,377
Change in fair value of available-for-sale financial assets, after tax		2,249	(1,240)
Other comprehensive (loss)/income for the period		(5,421)	12,137
Total comprehensive income for the period		28,495	50,563

		Six months ended 30 June	
		2012	2011
<i>Notes</i>		HK\$'000	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
		19,467	23,778
		14,449	14,648
		33,916	38,426
Total comprehensive income for the period attributable to:			
		13,597	34,293
		14,898	16,270
		28,495	50,563
Dividend	7	–	–
Earnings per share			
	8	1.01 cents	1.24 cents
		1.01 cents	1.24 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	<i>Notes</i>	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	929,775	726,068
Prepaid lease payments		408,753	365,228
Interests in associates		9,339	8,469
Available-for-sale financial assets		54,242	51,737
Deposit for acquisition of non-current assets		18,471	74,680
Goodwill		72,037	72,037
Intangible assets		536	649
Deferred tax assets		3,590	3,623
Prepayments		29,075	23,984
Loan receivables		–	17,247
		1,525,818	1,343,722
Current assets			
Inventories		315,876	319,163
Trade and other receivables	10	654,625	341,280
Loan receivables		24,411	7,392
Prepaid lease payments – current portion		9,246	9,303
Pledged bank deposits		112,902	66,939
Bank balances and cash		595,438	343,348
		1,712,498	1,087,425
Current liabilities			
Trade and other payables	11	556,780	300,695
Bank borrowings		1,124,139	695,231
Tax payable		31,138	34,871
		1,712,057	1,030,797
Net current assets		441	56,628
Total assets less current liabilities		1,526,259	1,400,350

	<i>Notes</i>	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Non-current liabilities			
Bank borrowings		164,775	36,834
Deferred tax liabilities		83,314	82,816
Amount due to holding company		12,280	12,656
Deferred income		295,375	298,125
		555,744	430,431
Net assets			
		970,515	969,919
Capital and reserves			
Share capital	12	19,620	19,208
Reserves		654,354	619,970
Equity attributable to owners of the Company		673,974	639,178
Non-controlling interests			
		296,541	330,741
Total equity			
		970,515	969,919

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Contribution surplus reserve	Statutory reserve	Safety fund reserve	Translation reserve	Available-for-sale financial assets revaluation reserve	Other Reserve	Retained profits	Equity attributable to equity holders of the Company	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011 (audited)	19,208	268,628	121,273	8,500	1,482	17,556	5,911	2,014	123,214	567,786	279,063	846,849
Profit for the period	-	-	-	-	-	-	-	-	23,778	23,778	14,648	38,426
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	-	-	-	-	-	11,309	-	-	-	11,309	2,068	13,377
Change in fair value of available-for-sale financial assets, after tax	-	-	-	-	-	-	(794)	-	-	(794)	(446)	(1,240)
Total comprehensive income for the period	-	-	-	-	-	11,309	(794)	-	23,778	34,293	16,270	50,563
Arising from deemed acquisition of non-controlling interests	-	-	-	-	-	-	-	422	-	422	(422)	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	7	-	7	(6,447)	(6,440)
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(3,076)	(3,076)
At 30 June 2011 (unaudited)	19,208	268,628	121,273	8,500	1,482	28,865	5,117	2,443	146,992	602,508	285,388	887,896
At 1 January 2012 (audited)	19,208	268,628	121,273	16,801	4,833	37,116	3,079	2,443	165,797	639,178	330,741	969,919
Profit for the period	-	-	-	-	-	-	-	-	19,467	19,467	14,449	33,916
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	-	-	-	-	-	(7,582)	-	-	-	(7,582)	(88)	(7,670)
Change in fair value of available-for-sale financial assets, after tax	-	-	-	-	-	-	1,712	-	-	1,712	537	2,249
Total comprehensive income for the period	-	-	-	-	-	(7,582)	1,712	-	19,467	13,597	14,898	28,495
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	7,466	-	7,466	(19,380)	(11,914)
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(29,718)	(29,718)
Issuance of new shares	412	13,321	-	-	-	-	-	-	-	13,733	-	13,733
At 30 June 2012 (unaudited)	19,620	281,949	121,273	16,801	4,833	29,534	4,791	9,909	185,264	673,974	296,541	970,515

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	29,376	(77,133)
Net cash used in investing activities	(294,365)	(205,481)
Net cash from financing activities	525,261	418,752
Net increase in cash and cash equivalents	260,272	136,138
Cash and cash equivalents at 1 January	343,348	306,999
Effect of foreign exchange rate changes	(8,182)	6,088
Cash and cash equivalents at 30 June, representing		
Cash and bank balances	595,438	449,225

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 2011 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 2011 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2012. 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 2011 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 2011 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2012.

3. TURNOVER

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

4. SEGMENT INFORMATION

Segment information has been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operation decision maker for the purpose of allocating resources to segments and assessing their performance.

The Group is engaged in manufacture and sales of pharmaceutical, healthcare and chemical 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 resources allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

5. INCOME TAX EXPENSE

Taxation in the condensed consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
People's Republic of China ("PRC")	2,599	6,401
Deferred tax	145	(806)
	2,744	5,595

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong have no assessable profits for both years.

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 the 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	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit before tax is stated after charging:		
Staff costs (excluding directors' emoluments) comprises:		
– Wages and salaries	95,016	82,028
– Retirement benefits schemes contributions	14,976	8,851
	109,992	90,879
Depreciation of property, plant and equipment	27,760	22,060
Amortisation of prepaid lease payments	4,158	3,019
Amortisation of intangible assets	177	171
Total depreciation and amortisation	32,095	25,250
Cost of inventories recognised as an expense	722,351	564,082
Operating leases rentals in respect of land and buildings	2,931	3,302
Loss on disposal of property, plant and equipment	264	629
Research and development costs	27,826	17,772
Written off of property, plant and equipment	140	–

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 (2011: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity holders of the Company of HK\$19,467,000 (2011: HK\$23,778,000) and on 1,931,677,372 (2011: 1,920,801,000) ordinary shares, being the weighted average ordinary shares in issue during the period.

No diluted earnings per share has been presented for the six months ended 30 June 2012 (2011: Nil), as there was no dilutive potential ordinary share for the period.

9. PROPERTY, PLANT AND EQUIPMENT

The Group incurred approximately HK\$236,809,000 (2011: HK\$71,592,000) on additions to property, plant and equipment, of which none (2011: none) were acquired through acquisition of subsidiaries during the reported period.

10. TRADE AND OTHER RECEIVABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade receivables	417,907	176,796
Bills receivables	103,810	94,090
Other receivables, deposits and prepayments	157,797	97,653
Less: impairment loss on other receivables	(24,889)	(27,259)
	654,625	341,280
The aging analysis of trade receivables is set out below:		
Within 90 days	333,555	143,110
91–180 days	66,060	24,293
181–365 days	17,198	11,630
Over 365 days	21,032	17,885
	437,845	196,918
Less: accumulated impairment	(19,938)	(20,122)
	417,907	176,796

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

11. TRADE AND OTHER PAYABLES

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables	180,364	100,079
Bills payables	129,390	45,081
Accrued charges and other creditors	247,026	155,535
	556,780	300,695
The aging analysis of trade payables is set out below:		
Within 90 days	130,556	72,083
Over 90 days	49,808	27,996
	180,364	100,079

12. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each			
	30 June 2012		31 December 2011	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Unaudited)	Number of shares '000 (Audited)	Amount HK\$'000 (Audited)
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	1,920,801	19,208	1,920,801	19,208
Issue of shares pursuant to a subscription agreement	41,240	412	–	–
At end of period/year	1,962,041	19,620	1,920,801	19,208

13. COMMITMENTS

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

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Within one year	3,233	3,433
In the second to fifth year inclusive	1,872	2,544
	5,105	5,977

The Group had the following capital expenditure contracted for but not provided in the condensed consolidated financial statements:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
In respect of the acquisition of property, plant and equipment	230,762	178,413

14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2012 (2011: nil).

CORPORATE INFORMATION

Executive directors

Mr Liu Chengwei (*Chairman*)
Mr Hu Bo (*Deputy Chairman*)
Dr Shao Yan
Dr Zhang Ji

Independent non-executive directors

Ms So Tosi Wan, Winnie
Mr Lo Kai Lawrence
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 (*Chairman*)
Mr Lo Kai Lawrence
Dr Pei Geng

Remuneration committee

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

Nomination committee

Ms So Tosi Wan, Winnie (*Chairman*)
Dr Shao Yan
Mr Lo Kai Lawrence

Website

www.chinagrandpharm.com

Auditors

SHINEWING (HK) CPA Limited

Legal advisers

Boughton Peterson Yang Anderson
Solicitors
Conyers, Dill & Pearman

Principal share registrar

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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 bank

China Construction Bank
China Merchants Bank
Hongkong and Shanghai Banking
Corporation

Registered office

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

Principal office

Units 6211–12, The Center,
99 Queen's Road Central, Hong Kong