

TOMORROW IS NOW

CHINA GRAND PHARMACEUTICAL AND  
HEALTHCARE HOLDINGS LIMITED

遠大醫藥健康控股有限公司

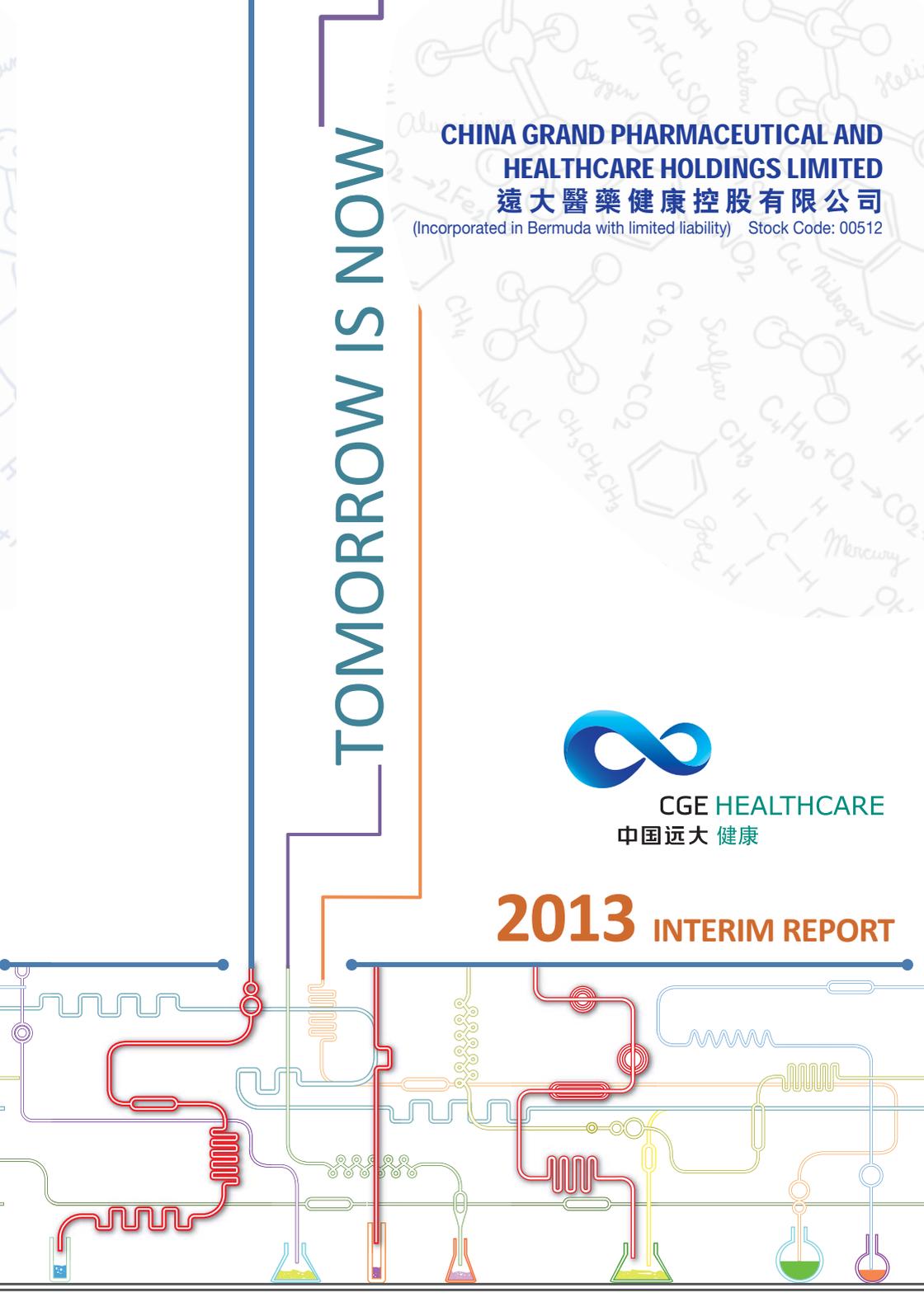
(Incorporated in Bermuda with limited liability) Stock Code: 00512



CGE HEALTHCARE

中国远大 健康

2013 INTERIM REPORT





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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 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 commits to expand business through self-expansion such as development of new medicines, improvement of production technology, change of production structure more effectively, expansion of production capacity and extension of the sales networks 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.

In February 2013, Grand Pharmaceutical (China) Co., Limited (the “Grand Pharm (China)”) entered into a joint venture agreement with HuangShi Feiyun Pharmaceutical Company Limited (黃石飛雲製藥有限公司) (“HuangShi Feiyun”) in related to the formation of Grand Pharmaceutical Huangshi Feiyun Company Limited (“Grand HuangShi Feiyun”). The investment of the Group is RMB75 million, and will own 60% equity interests. The cooperation with HuangShi Feiyun, one of the largest manufacturers of tumor and anti-viral drugs in Hubei province, may enable the Group to achieve advantage in pharmaceutical market in the PRC, especially in entering the area of oncology medicines. It may also add Chinese herbs products in the cerebro-cardiovascular medicines area and superior anti-virus products in the product pool of the Group, strengthen the sales team and network of the Group and will create synergy effect for the business of the Group. The registration of the new company has been completed and will provide contribution to the Group in the foreseeable future.

Furthermore, the reallocation of the new production plant is closed to completion, and certain production facilities are under test-run. The new GMP production approval and certificate is under application stage, and it is expected to operate in full scale soon. Hubei Wellness Pharmaceutical Co., Ltd. (“Hubei Wellness”), a company newly acquired at the end of last year, has completed the internal restructuring. Its core products such as cerebro-cardiovascular medicine and rheumatism medicines belongs to Catalogue of Drugs for Basic National Medical Insurance and National Essential Medicines List, and has provided positive contribution to the Group during the current period.

## Turnover

For the six months ended 30 June 2013, the Group recorded a turnover of approximately HK\$1,328.084 million, which increased by approximately 25.4% in compare with the same period of last year. The profit attributable to the owners of the Company was approximately HK\$34.288 million, which was increased by approximately 76.1% in compare 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 continuous increment. The business of other major products such as pharmaceutical intermediates and specialized pharmaceutical raw materials also maintain constant, while the turnover from the steroid hormones and its intermediates was increased by approximately 33.5% in compare with the same period of last year. During the period under review, the average gross profit margin of the Group was approximately 31.9%, while it was approximately 31.8% in the first six months of 2012.

## 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 2013, the turnover amount of pharmaceutical preparations was approximately RMB340.46 million and was increased by approximately 23.9% in compare 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. As the benefit from the successful marketing strategy about the expansion of the sales networks and the market coverage, during the six months period ended 30 June 2013, the turnover of the cerebro-cardiovascular medicines of the Group recorded approximately RMB138.41 million and was increased by approximately RMB25.66 million in compare with the same period of last year. The Adrenaline series products recorded turnover of approximately RMB69.14 million and was increased by approximately 18.3% compared with the same period of last year. Simvastatin Capsules, a product of the new member of the Group Hubei Wellness, also provided approximately RMB12.97 million turnover to the Group.

### – *Ophthalmic medicines and other pharmaceutical preparations*

The Group is one of the ophthalmic medicine manufacturers in the PRC with the most advanced 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 put more effort in the market promotion of the ophthalmic medicine, including the launch of advertisement to promote the reputation, establishment of the official website and expansion of the sales network to the chain retail stores, etc. During the six months period ended 30 June 2013, the turnover amount of ophthalmic medicines was approximately RMB71.44 million, which was increased by approximately RMB5.03 million in compare with the six months period ended 30 June 2012. During the first six months of this year, the antibiotics products such as Enoxacin also recorded approximately RMB20.79 million turnover amount, which was increased by approximately 55.0% in compare 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. The Group will make use of the bio-fermentation technology platform to improve the production technology of the amino acid product series, reduce the product cost, enhance the quality, strengthen the profitability, and it is expected to provide contribution in the foreseeable future. For the six months period ended 30 June 2013, the turnover amount of pharmaceutical intermediates was approximately RMB325.56 million, while it was approximately RMB289.23 million in the same period of 2012.

### – *Pharmaceutical raw materials*

During the six months period ended 30 June 2013, the turnover amount of pharmaceuticals raw materials was approximately RMB185.83 million while it was approximately RMB160.90 million in the same period of last year. The Analgin was still the major product, and its turnover amount was approximately RMB92.55 million and was increased by approximately 23.7% in compare with the same period of last year. The turnover amount of Chloramphenicol, a raw material of antibiotics maintained continuous growth, was approximately RMB43.18 million with an increment rate at approximately 18.3%.

### – *Amino acids products*

The Group is one of the largest manufacturers of amino acids products in the PRC, and the major product including L-cysteine HCl Monohydrate and Leucine. For the six months period ended 30 June 2013, the turnover amount of the amino acids products of the Group was approximately RMB139.73 million, which was increased by approximately RMB11.39 million in compare 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. The new plant in Jiangsu is in the test-run stage and is expected to provide contribution to the Group this year. The newly constructed production facilities of the Group may facilitate with the most advanced bio-fermentation technology. It may substantially reduce the production cost of steroid hormones raw materials, improve the product quality, introduce new product series, enhance the production capacity and the standard of the production technology. This may allow the Group to establish a solid foundation of being one of the steroid hormones raw materials manufacturers with the largest production capacity and most advance technical standard in the world. During the current review period, the turnover amount of steroid hormones of the Group was approximately RMB133.21 million and was increased by approximately 33.5% in compare with the same period of last year.

– *Sex Hormones*

Cyproterone Acetate is one of the core products of the Group in sex hormones product series. It is male hormones used in treatment for prostate cancer and benign prostatic hyperplasia diseases, and its turnover amount was approximately RMB20.29 million with approximately RMB5.33 million increment in compare with last year. The Hydroxyprogesterone, a product newly launched in the second half of 2012, also recorded approximately RMB22.13 million turnover amounts.

### 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. During the first six months of 2013, the turnover amount of the relevant products was approximately RMB196.34 million, which was increased by approximately 41.7% in compare with the same period of last year.

– *Taurine*

The Group is one of the largest exporters of Taurine in the PRC. Several new production facilities commenced production during the current period, and thus the production efficiency and capacity were enhanced. As a result the turnover amount during the current review period was approximately RMB98.30 million and was over 1 times more than the same period of last year.

– *Calcium Superphosphate and Dimethyl Sulfate*

Calcium Superphosphate is agrochemicals, and the product of the Group is one of the well-known brands in the PRC. In the first half of 2013, the turnover amount of Calcium Superphosphate was approximately RMB80.49 million and was similar as the same period of last year. Other products such as Nitromethane also provided approximately RMB17.55 million turnover and was increased by approximately 19.3% as compared with last year.

### Distribution costs and administrative expenses

Distribution costs and administrative expenses of this period was approximately HK\$214.27 million and HK\$146.86 million respectively, while it was approximately HK\$175.12 million and HK\$117.36 million respectively in the same period of last year. The increment of these two expenses was mainly due to the execution of the strategy in related to the expansion of market share and resulted an approximately 25.4% increment of turnover amount. It is also contributed by the newly acquired business and the reallocation of the production plant.

### Finance costs

For the six months period ended 30 June 2013, the finance costs of the Group were approximately HK\$30.08 million, while they were approximately HK\$21.98 million during the six months period ended 30 June 2012. 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

The latest data released by National Bureau of Statistics of China during January to May 2013 indicated that: firstly, the PRC's pharmaceutical market, which is benefited from the continuous enhancement of medical insurance standard and the increased government investment in healthcare industry, has been expanding under the continuous increasing demand in medical services in the PRC. The overall turnover of the pharmacy production industry has been increased by 22.45% as compared to the same period in previous year. Secondly, the restriction ("restriction of antibiotic usage") program was relieved to a certain extent, as the PRC government has not further restricted the use of antibiotics. Further to this, due to the restocking of raw material inventories by the pharmaceutical preparations manufacturers and the gradual rebound of economy in the US and Europe, the demand for mass products was driven. Hence, the revenue of related products also increased. The turnover of chemical raw material industry increased by 17.92% as compared with the same period in previous year. Thirdly, bio-medicine production industry is an emerging and strategic sector. It has been benefited from the government's policies and local tender price restrictions on medications. Bio-medicine production enterprises and certain chemical medicine enterprises started increasing their investments in the research and development of bio-medicine production, which resulted in the accelerated release of new products. The turnover of bio-medicine production industry has been increased by 34.75% as compared with the same period in previous year.

2013 will be a crucial year for the tendering activities across the PRC provinces. Both the tendering for basic medicines and non-basic medicines will become major focuses among the pharmaceutical enterprises.

Meanwhile, 2013 will be the critical year for the Group to upgrade production facilities, expand production lines and capacity of core treatment areas, leverage biotechnology to improve production standard, release new products and obtain substantive results. Based on the completion of construction in 2012, the new production bases of the Group's pharmaceutical preparations in Wuhan Jin Yin Hu – Grand Pharm (China), ENT products such as ophthalmic medicines – Hubei Grand EBE, specialized pharmaceutical raw material products – Hubei Fuchi and producing steroid hormone products with biotechnology – Jiangsu Xianle have launched trial production and application of production permits and quality certificates in 2013. The launch of production for the abovementioned production bases will lead to massive and rapid development of the Group in the quality and quantity of related products.

In addition, within the past two years, the Group has merged with, acquired and invested in core pharmaceutical enterprises such as Wuhan Kernal, Hubei Wellness, Grand HuangShi Feiyun and Hubei Grand Bio-technology Limited ("Grand Bio-technology"). These enterprises began to make crucial contributions to the Group's income and profit in the aspects of cerebro-cardiovascular medicines, antibacterial and antivirus products, cancer treatment products and amino acid products.

The development and application of biotechnology are the focus areas which the Group has been attached great importance to and proactively involving in. Firstly, the new products developed by Grand Bio-technology and Wuhan Kernal through the application of the bio-fermentation technology will possess worldwide leading biotechnology standard. The products will become the legendary products of expanding the Group's market share and enhancing profitability in related products. In addition, the development and application of biotechnology in steroid hormone products have also been the emphases of the Group's technological innovation. The establishment of Jiangsu Xianle may become a symbolic event of the significant change in steroid hormone industry. Steroid hormone has significant medical value and vital status in the world's pharmaceutical products. It has significant effects in life maintenance, regulatory function, body development, immunity adjustment, treatment of skin diseases and birth control. The Group will endeavor to become one of the leaders in the global market of steroid hormone medical raw materials and intermediate products, with the most advanced technology, the highest product quality and the largest capacity.

With the intensifying process of the PRC medical system reform, the gradual development of urbanisation plan and the deterioration of aging problem, the development of medical industry will become an important area of national economic development with tremendous prospect. The Group will fully utilised the newly constructed production facilities which meet the new GMP standard to accelerate the research and development of new products and acquisition process. The Group will also proactively develop and utilise the two biotechnology platforms so as to improve and change the existing production and reduce production costs. We will improve the quality and technological level of products, to enhance our market competitiveness and to promote our efficiency, so as to maximise the returns for all the shareholders.

### **Financial resources and liquidity**

As at 30 June 2013, current assets of the Group amounted to approximately HK\$1,743,066,000 (31 December 2012: HK\$1,239,579,000) and current liability of the Group amounted to approximately HK\$2,632,026,000 (31 December 2012: HK\$1,956,654,000). Current ratio at 30 June 2013 was 0.66 while it was 0.63 as at 31 December 2012.

As at 30 June 2013, the Group has cash and bank balance of approximately HK\$354,559,000 (31 December 2012: HK\$304,588,000), of which were mainly denominated in Hong Kong, United States Dollars and Renminbi.

As at 30 June 2013, the Group had outstanding bank loans of approximately HK\$1,850,062,000 (31 December 2012: HK\$1,421,333,000). Included in the bank loans, there were bank loans of approximately HK\$372,746,000 which were dominated in the US Dollars. All other bank loans were denominated in Renminbi. The interest rates charged by banks ranged from 0.89% to 7.89% (for the year ended 31 December 2012: 3.08% to 7.50%). Certain bank loans were pledged by assets of the Group with net book value of approximately HK\$118,425,000 (31 December 2012: HK\$73,863,000). As at 30 June 2013, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' interests, was approximately 231%, as compared with approximately 189% as at 31 December 2012.

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 2013, 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 2013, the Group employed about 4,800 staff and workers in Hong Kong and the PRC (31 December 2012: 4,800). 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.

### **Contingent liabilities**

As at 30 June 2013, the Directors were not aware of any material contingent liabilities.

### **Subsequent event**

On 16 July 2013, Grand Pharm (China) entered an acquisition agreement with Beijing Kun Wu International Business Limited (北京錕吾國際商業有限公司), in which Grand Pharm (China) agreed to acquire approximately 70.84% equity interests of Beijing Rui Yao Technology Limited (北京潤藥科技有限公司) at the consideration of RMB35,777,800.

## **OTHER INFORMATION**

### **Directors' and chief executive's interests in shares**

As at 30 June 2013, 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>	2,220,000	0.11%

*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 2,220,000 Shares.*

**Substantial shareholders**

As at 30 June 2013, 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 2013.

**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 2013.

**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 2013.

### **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 2013.

### **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 2013 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, 28 August 2013



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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 2013 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 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Turnover</b>	3	<b>1,328,084</b>	1,059,000
Cost of sales		<b>(904,197)</b>	(722,351)
<b>Gross profit</b>		<b>423,887</b>	336,649
Other income		<b>14,593</b>	14,443
Distribution costs		<b>(214,272)</b>	(175,126)
Administrative expenses		<b>(146,863)</b>	(117,360)
Other operating expenses		<b>(180)</b>	(177)
Share of results of associates		<b>201</b>	211
Finance costs		<b>(30,075)</b>	(21,980)
<b>Profit before tax</b>		<b>47,291</b>	36,660
Income tax expense	5	<b>(9,542)</b>	(2,744)
<b>Profit for the period</b>	6	<b>37,749</b>	33,916
<b>Other comprehensive income/(loss)</b>			
Exchange difference on translation of foreign operations		<b>11,714</b>	(7,670)
Change in fair value of available-for-sale financial assets, after tax		<b>3,108</b>	2,249
Other comprehensive income/(loss) for the period		<b>14,822</b>	(5,421)
<b>Total comprehensive income for the period</b>		<b>52,571</b>	28,495

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Profit for the period attributable to:</b>			
– Owners of the Company		<b>34,288</b>	19,467
– Non-controlling interests		<b>3,461</b>	14,449
		<b>37,749</b>	33,916
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Company		<b>48,670</b>	13,597
– Non-controlling interests		<b>3,901</b>	14,898
		<b>52,571</b>	28,495
<b>Dividend</b>	7	–	–
<b>Earnings per share</b>	8		
– Basic (HK cents)		<b>1.75 cents</b>	1.01 cents
– Diluted (HK cents)		<b>1.75 cents</b>	1.01 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>1,706,693</b>	1,423,363
Prepaid lease payments		<b>456,241</b>	434,655
Interests in associates		<b>4,805</b>	11,750
Available-for-sale financial assets		<b>57,220</b>	52,498
Deposit for acquisition of non-current assets		<b>23,124</b>	27,804
Goodwill		<b>97,139</b>	97,133
Intangible assets		<b>121</b>	298
Deferred tax assets		<b>4,185</b>	3,661
Prepayments		<b>25,051</b>	26,028
Loan receivables		<b>31,595</b>	37,316
		<b>2,406,174</b>	2,114,506
<b>Current assets</b>			
Inventories		<b>432,821</b>	442,297
Trade and other receivables	10	<b>831,898</b>	443,436
Loan receivables		<b>25,276</b>	14,926
Prepaid lease payments – current portion		<b>10,635</b>	10,516
Pledged bank deposits		<b>87,877</b>	23,816
Cash and cash equivalents		<b>354,559</b>	304,588
		<b>1,743,066</b>	1,239,579
<b>Current liabilities</b>			
Trade and other payables	11	<b>857,285</b>	614,466
Bank borrowings		<b>1,736,928</b>	1,305,755
Tax payable		<b>37,813</b>	36,433
		<b>2,632,026</b>	1,956,654
<b>Net current liabilities</b>		<b>(888,960)</b>	(717,075)
<b>Total assets less current liabilities</b>		<b>1,517,214</b>	1,397,431

	<i>Notes</i>	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings		<b>113,134</b>	115,578
Deferred tax liabilities		<b>81,838</b>	81,463
Amount due to holding company		<b>22,143</b>	19,649
Deferred income		<b>305,842</b>	301,012
		<b>522,957</b>	517,702
<b>Net assets</b>			
		<b>994,257</b>	879,729
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	12	<b>19,620</b>	19,620
Reserves		<b>782,324</b>	733,654
		<b>801,944</b>	753,274
<b>Non-controlling interests</b>			
		<b>192,313</b>	126,455
<b>Total equity</b>			
		<b>994,257</b>	879,729

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital HK\$'000	Share premium HK\$'000	Contribution surplus reserve HK\$'000	Statutory reserve HK\$'000	Safety fund reserve HK\$'000	Translation reserve HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Other Reserve HK\$'000	Retained profits HK\$'000	Equity attributable to equity holders of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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)	(68)	(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 subsidiaries	-	-	-	-	-	-	-	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
At 1 January 2013 (audited)	19,620	281,949	121,273	46,637	8,164	46,471	3,228	25,997	199,935	753,274	126,455	879,729
Profit for the period	-	-	-	-	-	-	-	-	34,288	34,288	3,461	37,749
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	-	-	-	-	-	11,286	-	-	-	11,286	428	11,714
Change in fair value of available-for-sale financial assets, after tax	-	-	-	-	-	-	3,096	-	-	3,096	12	3,108
Total comprehensive income for the period	-	-	-	-	-	11,286	3,096	-	34,288	48,670	3,901	52,571
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	-	-	62,192	62,192
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(235)	(235)
Transfer	-	-	-	976	-	-	-	-	(976)	-	-	-
At 30 June 2013 (unaudited)	19,620	281,949	121,273	47,613	8,164	57,757	6,324	25,997	233,247	801,944	192,313	994,257

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2013

	<b>Six months ended 30 June</b>	
	<b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2012</b> <i>HK\$'000</i> <b>(Unaudited)</b>
Net cash generated from operating activities	<b>17,117</b>	29,376
Net cash used in investing activities	<b>(377,012)</b>	(294,365)
Net cash generated from financing activities	<b>404,235</b>	525,261
<b>Net increase in cash and cash equivalents</b>	<b>44,340</b>	260,272
<b>Cash and cash equivalents at 1 January</b>	<b>304,588</b>	343,348
Effect of foreign exchange rate changes	<b>5,631</b>	(8,182)
<b>Cash and cash equivalents at 30 June, representing</b> Cash and cash equivalents	<b>354,559</b>	595,438

## 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 2012 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 2012 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2013. 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 2012 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 2012 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2013.

### 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:

	<b>Six months ended 30 June</b>	
	<b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2012 <i>HK\$'000</i> (Unaudited)
Current tax:		
People's Republic of China ("PRC")	<b>10,801</b>	2,599
Deferred tax	<b>(1,259)</b>	145
	<b>9,542</b>	2,744

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	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit before tax is stated after charging:		
Staff costs (excluding directors' emoluments) comprises:		
– Wages and salaries	126,182	95,016
– Retirement benefits schemes contributions	11,479	14,976
	137,661	109,992
Depreciation of property, plant and equipment	41,816	27,760
Amortisation of prepaid lease payments	5,076	4,158
Amortisation of intangible assets	180	177
Total depreciation and amortisation	47,072	32,095
Cost of inventories recognised as an expense	904,197	722,351
Operating leases rentals in respect of land and buildings	1,418	2,931
Loss on disposal of property, plant and equipment	30	264
Research and development costs	34,565	27,826
Written off of property, plant and equipment	10	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 (2012: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity holders of the Company of HK\$34,288,000 (2012: HK\$19,467,000) and on 1,962,040,888 (2012: 1,931,677,372) 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 2013 and 2012, as there was no dilutive potential ordinary share for the period.

**9. PROPERTY, PLANT AND EQUIPMENT**

The Group incurred approximately HK\$305,140,000 (2012: HK\$236,809,000) on additions to property, plant and equipment.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Trade receivables	<b>480,224</b>	208,608
Bills receivables	<b>74,009</b>	75,516
Other receivables, deposits and prepayments	<b>302,951</b>	183,918
Less: impairment loss on other receivables	<b>(25,286)</b>	(24,606)
	<b>831,898</b>	443,436
The aging analysis of trade receivables is set out below:		
Within 90 days	<b>409,371</b>	176,798
91–180 days	<b>47,252</b>	14,463
181–365 days	<b>12,200</b>	17,611
Over 365 days	<b>34,596</b>	21,395
	<b>503,419</b>	230,267
Less: accumulated impairment	<b>(23,195)</b>	(21,659)
	<b>480,224</b>	208,608

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

11. TRADE AND OTHER PAYABLES

	<b>30 June 2013</b>	31 December 2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>285,113</b>	187,232
Bills payables	<b>237,745</b>	117,410
Accrued charges and other creditors	<b>334,427</b>	309,824
	<b>857,285</b>	614,466
The aging analysis of trade payables is set out below:		
Within 90 days	<b>175,015</b>	134,627
Over 90 days	<b>110,098</b>	52,605
	<b>285,113</b>	187,232

12. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each			
	30 June 2013		31 December 2012	
	Number of shares '000 (Unaudited)	Amount HK\$'000	Number of shares '000 (Audited)	Amount HK\$'000
<b>Authorised:</b>				
At beginning of period/year	<b>100,000,000</b>	<b>1,000,000</b>	100,000,000	1,000,000
At end of period/year	<b>100,000,000</b>	<b>1,000,000</b>	100,000,000	1,000,000
<b>Issued and fully paid:</b>				
At beginning of period/year	<b>1,962,041</b>	<b>19,620</b>	1,920,801	19,208
Issue of shares pursuant to a subscription agreement	-	-	41,240	412
At end of period/year	<b>1,962,041</b>	<b>19,620</b>	1,962,041	19,620

**13. COMMITMENTS**

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

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Within one year	<b>2,541</b>	4,239
In the second to fifth year inclusive	<b>3,248</b>	3,366
	<b>5,789</b>	7,605

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

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
In respect of the acquisition of property, plant and equipment	<b>265,896</b>	321,045

**14. CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 30 June 2013 (2012: 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](http://www.chinagrandpharm.com)

### Auditors

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants

### Legal advisers

Conyers, Dill & Pearman

### Principal share registrar

Butterfield Fulcrum Group (Bermuda) Limited  
26 Burnaby Street,  
Hamilton HM11, 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  
Bank of Communications  
HSBC

### Registered office

Clarendon House, 2 Church Street  
Hamilton HM 11, Bermuda

### Principal office

Units 3302, The Center,  
99 Queen's Road Central, Hong Kong