

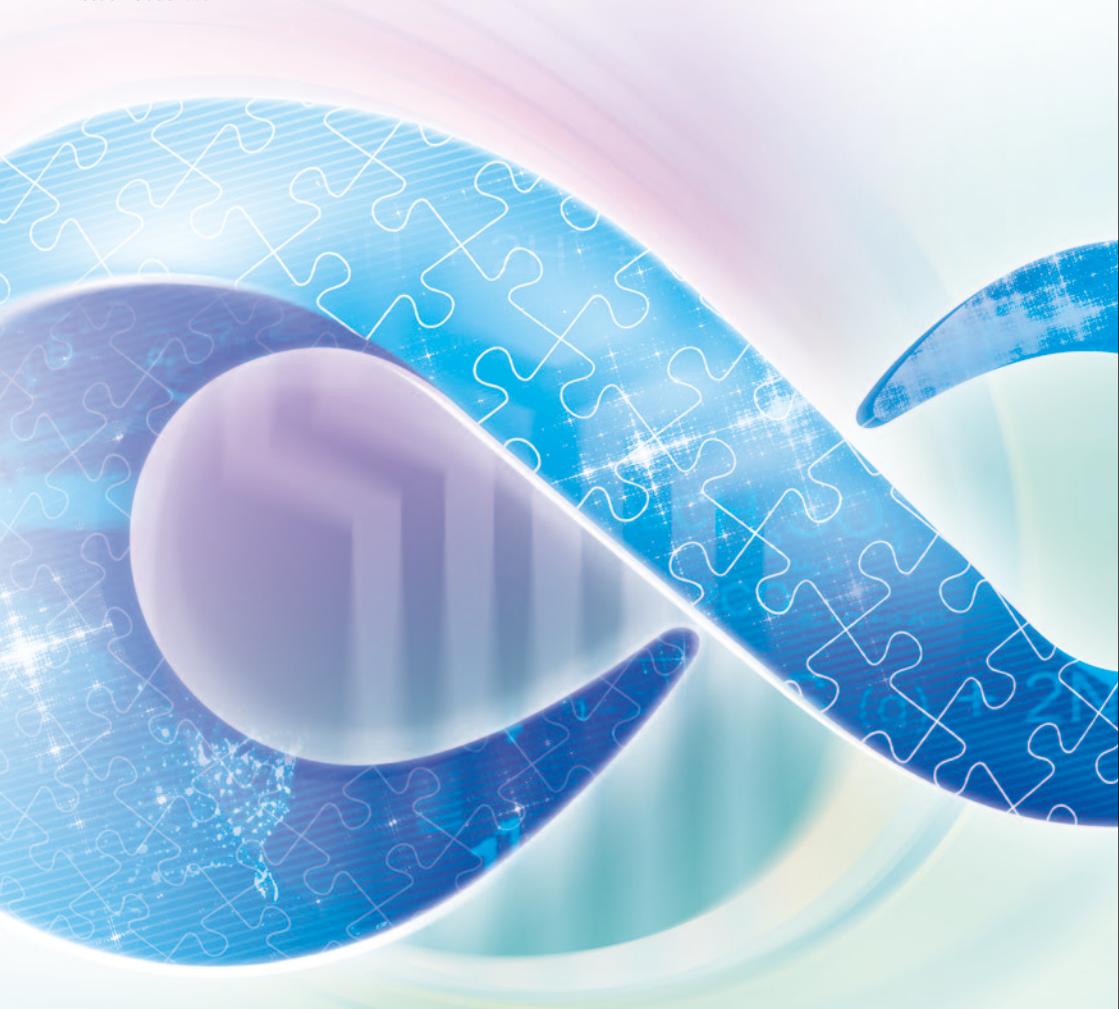
# China Grand Pharmaceutical

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

Interim Report 2014

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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 always pays attention to the production and sales of the existing products, and also endeavors to enlarge the product pool of the core products of the Group. In July 2013, the Group acquired 70.84% equity interest of Beijing Rui Yao Technology Limited (“Rui Yao”), which introduced new cerebro-cardiovascular medicines to the Group and also enlarged our sales network and contributed turnover amount to the Group, and resulted obvious synergy effect. Alternatively, the Group has also stepped into some new and important treatment area, such as anti-tumor medicines. The newly formed subsidiary Grand Pharmaceutical Huangshi Feiyun Company Limited (“Grand HuangShi Feiyun”) in 2013 has commenced commercial production, and contributes to the Group in term of adding natural extracted pharmaceutical products in the cerebro-cardiovascular medicines area and enhancing antibiotics products types, and leading the Group to enter the antitumor medicines area.

The Group commits to expand business through self-expansion such as development of new medicines, improvement of production technology, change of products 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. Our objective is being one of the largest manufacturers of pharmaceutical and healthcare products in the PRC.

In June 2014, the Group entered a purchase and subscription of registered capital agreement, proposed to acquire 52.25% equity interest of Shanghai Weicon Optical Co., Ltd. (“Shanghai Weicon”) at a consideration of US\$57,750,000. It will further invest USD11,000,000 in Shanghai Weicon after the completion of the said acquisition and thus it will finally hold 55% equity interest of Shanghai Weicon. Shanghai Weicon is a leading contact lenses and solutions manufacturer in PRC, and this acquisition will allow the Company to continue to pursue its long-term business diversification strategy by entering into the contact lens and solutions business, so as to further enhance its revenue sources as well as to bring positive return to the shareholders of the Company. Up to the date of this report, this acquisition is still in progress.

In June 2014, the Company also entered convertible bonds subscription agreements with 2 investors for the subscription of convertible bonds at the principal amount of HK\$300,000,000 and HK\$30,000,000 respectively. The Board considers that the issuance of convertible bonds is the most practicable way of raising funds, and this also signifies the confidence of investors in the potential of the Company and demonstrates their willingness to support the Company. Up to the date of this report, the subscription of convertible bonds is still in progress.

## Turnover

For the six months ended 30 June 2014, the Group recorded a turnover amount of approximately HK\$1,628 million, which increased by approximately 22.6% in compare with the same period of last year. The average gross profit margin of the Group was approximately 35.7%, which increased by approximately 3.8% in compare with the same period of 2013.

## Pharmaceutical Preparations

The pharmaceutical preparations are the major sources of profit of the Group, which the core products are cerebro-cardiovascular, ophthalmic, anti-bacterial and antibiotics medicines etc., and the anti-tumor medicines which are new products of the Group. During the six months period ended 30 June 2014, the turnover amount of pharmaceutical preparations was approximately RMB477.78 million and was increased by approximately by 40.3% in compare with same period of last year.

### – *Cerebro-cardiovascular medicines*

The cerebro-cardiovascular medicines are the core product and the business growth engine of the Group. During the six months period ended 30 June 2014, the turnover amount of cerebro-cardiovascular medicines was approximately RMB218.15 million, which increased by 57.6% in compare with the same period of last year. The growth is stimulated by the expansion of market coverage, and the strategy of setting up academic training at regional focus hospitals in the current year to strengthen the proper prescription of dosage. Norepinephrine Bitartrate injection and Adrenaline Hydrochloride injection which are used for emergency purpose recorded the turnover amount of approximately RMB99.06 million, increased by approximately 43.3%. Fructose Sodium Diphosphate, a product of Rui Yao which was acquired in October 2013, recorded a turnover amount of approximately RMB34.44 million.

– *Ophthalmic medicines and other pharmaceutical preparations*

During the current six months period, ophthalmic medicine recorded a turnover amount of RMB81.59 million, which increased by approximately 14.2% in compare with the first six months of 2013. One of the key growing point of ophthalmic medicine was the non-prescription medicines Polyvinyl Alcohol eyedrops, which recorded turnover amount of approximately RMB23.65 million and increased by approximately 32.7% in compare with same period of last year. This is mainly due to the contribution to the Group by reinforcing media promotions and branding, which received breakthrough in districts such as Jiangsu, Beijing, Guangdong, etc. Traditional anti-bacterial medicine Enoxacin recorded a turnover amount of approximately RMB25.34 million, increased by approximately 21.9% in compare with the same period of last year. Anti-viral Oral Solutions, a product of Grand Huangshi Feiyun, also recorded a turnover amount of approximately RMB20.78 million.

### **Pharmaceutical intermediates**

The pharmaceutical intermediates are also major products of the Group which include pharmaceutical raw materials such as Analgin, Metronidazole and Chloramphenicol and other amino acid products. For the six months period ended 30 June 2014, the turnover amount of pharmaceutical intermediates was approximately RMB354.47 million, while it was approximately RMB325.56 million in the same period of 2013.

– *Pharmaceutical raw materials*

During the six months period ended 30 June 2014, the turnover amount of pharmaceutical raw materials was approximately RMB194.45 million, while it was approximately RMB185.83 million in the same period of last year. The Analgin recorded turnover amount of approximately RMB103.51 million and was increased by approximately 11.8%, which was mainly benefit from the change of pricing policy in mid-2014 and attracted more customers to order products of the Group.

– *Amino acids products*

During the current period, the turnover amount of the amino acids products of the Group was approximately RMB160.03 million, which increased by approximately 14.5% in compare with the same period of last year. The major products such as L-cysteine HCl Monohydrate and N-acetyl-L-cysteine recorded a turnover amount of approximately RMB45.16 million and RMB22.55 million respectively with an aggregate increment of approximately 9.6% in compare with the same period of last year. This is mainly due to the enhancement of production capacity in the new plant at Fuchi district and the enhancement of production technology resulted to the provision of our products to high-end market. Another market popular product L-Leucine also recorded a turnover amount of approximately RMB19.70 million in the current period.

## **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. The newly constructed production facilities in Jiangsu was completed and commenced production in 2013, which will enhance the steroid hormones intermediates production capacities of the Group and enhance the production technologies in order to cope with the market needs. Apart from the completion of the new production facilities, the Group launched new product Prednisone series in 2013 which also continue to make contribution during the current period. During the current review period, the turnover amount of steroid hormones intermediates was approximately RMB165.63 million, which increased by approximately 24.3% in comparison to the same period of last year.

### – *Glucocorticoid and Sex Hormones*

During the current period, the Glucocorticoid product of the Group include Betamethasone and Dexamethasone, recorded a turnover amount of approximately RMB91.41 million, which was increased by approximately 29.7% in compare with the same period of last year. The reason of such increment was mainly due to the adjustment of sales policy, focusing on development of the customers from India which already provided contribution to the Group.

### – *Prednisone Series*

Prednisone Series, products of the Group newly launched at the year end of 2013, were produced at the new production facility in Jiangsu. During the six months ended 30 June 2014, the turnover amount of the Prednisone was approximately RMB33.68 million. The main customers of these products are from India, and started to expand footprint to other Southeast Asia markets such as Vietnam, etc., and is also seeking the direct sales to end customers as the main sales channel to reduce distribution costs.

## Healthcare and chemical products

The healthcare and chemical products manufactured and sold by the Group include Taurine, Calcium Superphosphate, Dimethyl Sulfate and the bio-pesticides and bio-feed additives products which already have certain market shares and are well recognized by customers. In the first six months of 2014, the turnover amount of the relevant products was approximately RMB296.21 million.

### – *Taurine*

Due to the continuity of production technology enhancement and improved product quality and production efficiency, the Taurine of the Group maintained a stable growth. In the current period, Taurine recorded a turnover amount of approximately RMB103.39 million, increased by approximately 5.2% as compared with the same period of last year.

## Distribution costs and administrative expenses

Distribution costs and administrative expenses of the current period were approximately HK\$302.33 million and HK\$170.32 million respectively, while it was approximately HK\$214.27 million and HK\$146.86 million respectively in the same period of last year. The increment of these two expenses were mainly due to the execution of the strategy in related to the expansion of market share and resulted an approximately 22.6% 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 of 2014, the finance costs of the Group were approximately HK\$50.98 million, while they were approximately HK\$30.08 million during the same period of 2013. The increment was mainly due to the structural change of bank loans to cope with production capacity expansion and the operational expenses during the production plants relocation.

## Outlook and Future Prospects

Despite the accelerated expansion and continuous rapid growth in the pharmaceutical market in the PRC, with the structural adjustment in the PRC's macro-economy and various factors like the anti-commercial bribery initiative, bidding policy and change on business models in the pharmaceutical industry, an obvious slowdown was seen in the growth of sales income and profit generated from the pharmaceutical market in the recent two years.

According to the latest statistics issued by South Medicine Economic Research Institute, income and profit generated from the entire pharmaceutical industry has maintained a certain degree of growth rate for the first half of 2014 as compared to the corresponding period of last year, representing an increase of approximately 13.85% and 14.78% respectively. However, the growth rates of sales income and profit are showing down trends, with a decrease of approximately 5.7% and 1.6% respectively.

Through the successful merges and acquisitions of product ranges and sales network, the Group relocated its existing factories, set up its new production facilities and obtained the latest GMP certificate, which promoted accelerated improvements in the overall results. Since the second half of last year, a positive momentum was seen in the growth of turnover and net profit, with an increase of approximately 22.6% and 62.8% respectively, which were higher than the average growth levels in the market, with net profit relatively higher than the growth in income.

The Group will persist in the implementing “product cluster strategy” and “industrial chain strategy”. Regarding pharmaceutical preparations, the Group will increase the market share of its products and enhance the marketing efficiency of the sales team. The Group will fully utilize the bio-tech production technology platform owned by the Group and introduce bio-tech production technology into the pharmaceutical raw materials segment, so as to uplift product quality with an aim to enter the high-end product market.

Coming few years will be a stage of rapid development in the history of the Group. The Group will increase investment in research and development, and will continuously introduce new products, increase product varieties, and expand market share. At the same time, we will also integrate our sales channels and working teams so as to fully explore the synergies within the Group. Based on our core products, the Group will continuously identify targets in the market for acquisition so as to realise the synchronized growth of the Group both internally and externally as well as to achieve the strategic objective of mutual support, with an aim to present satisfactory performance to all the shareholders of the Company.

### **Financial resources and liquidity**

As at 30 June 2014, current assets of the Group amounted to approximately HK\$1,913,390,000 (31 December 2013: HK\$1,871,743,000) and current liability of the Group amounted to approximately HK\$2,919,661,000 (31 December 2013: HK\$2,614,229,000). Current ratio at 30 June 2014 was 0.66 while it was 0.72 as at 31 December 2013.

As at 30 June 2014, the Group has cash and bank balance of approximately HK\$270,689,000 (31 December 2013: HK\$249,765,000), of which were mainly denominated in Hong Kong Dollars, United States Dollars and Renminbi.



As at 30 June 2014, the Group had outstanding bank loans of approximately HK\$1,921,827,000 (31 December 2013: HK\$1,658,035,000). Included in the bank loans, there were bank loans of approximately HK\$393,430,000 which were dominated in the US Dollars. All other bank loans were denominated in Renminbi. The interest rates charged by banks ranged from 2.9% to 7.8% (for the year ended 31 December 2013: 1.0% to 7.8%). Certain bank loans were pledged by assets of the Group with net book value of approximately HK\$430,524,000 (31 December 2013: HK\$314,862,000). As at 30 June 2014, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' interests, was approximately 205%, as compared with approximately 189% as at 31 December 2013.

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 2014, 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 2014, the Group employed about 5,400 staff and workers in Hong Kong and the PRC (31 December 2013: about 5,400). The Group remunerates its employees based on their performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

### **Contingent liabilities**

The Group has no significant contingent liabilities as at 30 June 2014 (2013: Nil).

### **Subsequent event**

No subsequent events occurred after 30 June 2014, which may have a significant effect, on the assets and liabilities of future operations of the Group.

## OTHER INFORMATION

### Directors' and chief executive's interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the Directors and the chief executives of the Company, 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 of Hong Kong Limited (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 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"):

*Long positions in the shares of the Company:*

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Shao Yan	Interests in spouse ( <i>Note</i> )	3,440,000	0.18%

*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 3,440,000 Shares.*

Apart from the foregoing, none of the directors and chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in shares, underlying shares or debentures of the Company, any of its holding company, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO.

## **Substantial shareholders**

As at 30 June 2014, 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 are required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO.

*Long positions in the shares of the Company:*

<b>Name</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
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 above, as at 30 June 2014, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or 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 or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **Purchase, sale or redemption of shares**

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

## **Model code for securities transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions by directors. Having made specific enquiry of the Company's directors, all directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the six months ended 30 June 2014.

### **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 2014.

### **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 2014 has been reviewed by the audit committee.

### **Remuneration committee**

The Company has established the remuneration committee to consider the remuneration of all directors and senior management of the Company. Currently, the remuneration committee is chaired by independent non-executive director Ms So Tosi Wan, Winnie and other members include the executive director Mr Liu Chengwei and the independent non-executive director Mr Lo Kai Lawrence.

### **Nomination committee**

The Company has established the nomination committee to assist the Board in the overall management of the director nomination practices of the Company. Currently, the nomination committee is chaired by independent non-executive director Ms So Tosi Wan, Winnie and other members include the executive director Dr Shao Yan and the independent non-executive director Mr Lo Kai Lawrence.

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

Hong Kong, 28 August 2014

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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 2014 of the Company and its subsidiaries (collectively the “Group”), together with comparative figures for the previous period.

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Turnover</b>	3	<b>1,627,705</b>	1,328,084
Cost of sales		<b>(1,047,088)</b>	(904,197)
<b>Gross profit</b>		<b>580,617</b>	423,887
Other revenue and income		<b>22,306</b>	14,593
Distribution costs		<b>(302,329)</b>	(214,272)
Administrative expenses		<b>(170,324)</b>	(146,863)
Other operating expenses		<b>(482)</b>	(180)
Share of results of associates		<b>261</b>	201
Finance costs		<b>(50,978)</b>	(30,075)
<b>Profit before tax</b>		<b>79,071</b>	47,291
Income tax expense	5	<b>(17,621)</b>	(9,542)
<b>Profit for the period</b>	6	<b>61,450</b>	37,749
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations		<b>210</b>	11,714
Change in fair value of available-for-sale financial assets, after tax		–	3,108
Other comprehensive income for the period		<b>210</b>	14,822
<b>Total comprehensive income for the period</b>		<b>61,660</b>	52,571

		<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
<i>Notes</i>		<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
<b>Profit for the period attributable to:</b>			
		<b>60,376</b>	34,288
		<b>1,074</b>	3,461
		<b>61,450</b>	37,749
<b>Total comprehensive income for the period attributable to:</b>			
		<b>60,553</b>	48,670
		<b>1,107</b>	3,901
		<b>61,660</b>	52,571
<b>Dividend</b>	7	–	–
<b>Earnings per share</b>			
	8	<b>3.08 cents</b>	1.75 cents
		<b>3.08 cents</b>	1.75 cents

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014

	<i>Notes</i>	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	2,191,840	2,095,369
Prepaid lease payments		278,974	287,539
Interests in associates		7,488	6,297
Available-for-sale financial assets		104,522	43,387
Deposit for acquisition of non-current assets		1,329	13,969
Goodwill		125,175	124,777
Intangible assets		76,858	82,782
Deferred tax assets		1,842	1,362
Prepayments		27,111	17,631
Loan receivables		–	20,493
		<b>2,815,139</b>	2,693,606
<b>Current assets</b>			
Inventories		441,169	562,283
Trade and other receivables	10	1,027,247	892,610
Loan receivables		50,353	33,301
Prepaid lease payments		4,674	4,761
Pledged bank deposits		119,258	129,023
Cash and cash equivalents		270,689	249,765
		<b>1,913,390</b>	1,871,743
<b>Current liabilities</b>			
Trade and other payables	11	1,135,945	1,306,257
Bank borrowings		1,738,668	1,262,267
Obligations under finance leases		5,595	5,516
Derivative financial instrument		–	1,310
Income tax payable		39,453	38,879
		<b>2,919,661</b>	2,614,229
<b>Net current liabilities</b>		<b>(1,006,271)</b>	(742,486)
<b>Total assets less current liabilities</b>		<b>1,808,868</b>	1,951,120



	<i>Notes</i>	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Bank borrowings		<b>183,159</b>	395,768
Obligations under finance leases		<b>4,939</b>	7,916
Deferred tax liabilities		<b>47,566</b>	50,200
Amount due to holding company		<b>22,510</b>	21,401
Deferred income		<b>398,245</b>	385,046
		<b>656,419</b>	860,331
<b>Net assets</b>		<b>1,152,449</b>	1,090,789
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	12	<b>19,620</b>	19,620
Reserves		<b>917,816</b>	857,263
Equity attributable to owners of the Company		<b>937,436</b>	876,883
<b>Non-controlling interests</b>		<b>215,013</b>	213,906
<b>Total equity</b>		<b>1,152,449</b>	1,090,789

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	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 owners 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 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
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
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
At 1 January 2014 (audited)	<b>19,620</b>	<b>281,949</b>	<b>121,273</b>	<b>60,114</b>	<b>11,635</b>	<b>73,650</b>	-	<b>25,997</b>	<b>282,645</b>	<b>876,883</b>	<b>213,906</b>	<b>1,090,789</b>
Profit for the period	-	-	-	-	-	-	-	-	60,376	60,376	1,074	61,450
Other comprehensive income for the period:												
Exchange difference on translation of foreign operations	-	-	-	-	-	177	-	-	-	177	33	210
Change in fair value of available-for-sale financial assets, after tax	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	177	-	-	60,376	60,553	1,107	61,660
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Capital contribution from a minority shareholder	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distributable to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2014 (unaudited)	<b>19,620</b>	<b>281,949</b>	<b>121,273</b>	<b>60,114</b>	<b>11,635</b>	<b>73,827</b>	-	<b>25,997</b>	<b>343,021</b>	<b>937,436</b>	<b>215,013</b>	<b>1,152,449</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2013 <i>HK\$'000</i> (Unaudited)
Net cash (used in)/ generated from operating activities	<b>(47,231)</b>	17,117
Net cash used in investing activities	<b>(179,723)</b>	(377,012)
Net cash generated from financing activities	<b>238,067</b>	404,235
<b>Net increase in cash and cash equivalents</b>	<b>11,113</b>	44,340
<b>Cash and cash equivalents at 1 January</b>	<b>249,765</b>	304,588
Effect of foreign exchange rate changes	<b>9,811</b>	5,631
<b>Cash and cash equivalents at 30 June, representing</b>		
Cash and cash equivalents	<b>270,689</b>	354,559

## **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 2013 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 2013 annual accounts, except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for the annual periods beginning 1 January 2014. 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 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2014.

### **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 profit or loss and other comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
People's Republic of China ("PRC") Enterprise Income Tax	<b>19,317</b>	10,801
Deferred tax	<b>(1,696)</b>	(1,259)
	<b>17,621</b>	9,542

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**

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax is stated after charging:		
Staff costs (excluding directors' emoluments) comprises:		
– Wages and salaries	<b>195,967</b>	126,182
– Retirement benefits schemes contributions	<b>12,760</b>	11,479
	<b>208,727</b>	137,661
Depreciation of property, plant and equipment	<b>72,666</b>	41,816
Amortisation of prepaid lease payments	<b>5,072</b>	5,076
Amortisation of intangible assets	<b>4,504</b>	180
Total depreciation and amortisation	<b>82,242</b>	47,072
Cost of inventories recognised as an expense	<b>1,047,088</b>	904,197
Operating leases rentals in respect of land and buildings	<b>5,109</b>	1,418
(Gain)/loss on disposal of property, plant and equipment	<b>(58)</b>	30
Research and development costs	<b>34,400</b>	34,565
Written off of property, plant and equipment	<b>1,258</b>	10

**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 (2013: Nil).

**8. EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity holders of the Company of HK\$60,376,000 (2013: HK\$34,288,000) and on 1,962,040,888 (2013: 1,962,040,888) 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 2014 and 2013, as there was no dilutive potential ordinary share for the period.

**9. PROPERTY, PLANT AND EQUIPMENT**

The Group incurred approximately HK\$206,275,000 (2013: HK\$305,140,000) on additions to property, plant and equipment.

**10. TRADE AND OTHER RECEIVABLES**

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Trade receivables	<b>679,000</b>	321,976
Bills receivables	<b>103,815</b>	324,225
Other receivables, deposits and prepayments	<b>267,829</b>	269,515
Less: impairment loss on other receivables	<b>(23,397)</b>	(23,106)
	<b>1,027,247</b>	892,610
The aging analysis of trade receivables is set out below:		
Within 90 days	<b>596,829</b>	292,543
91-180 days	<b>71,792</b>	27,273
181-365 days	<b>13,796</b>	11,682
Over 365 days	<b>28,878</b>	21,781
	<b>711,295</b>	353,279
Less: accumulated impairment	<b>(32,295)</b>	(31,303)
	<b>679,000</b>	321,976

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

**11. TRADE AND OTHER PAYABLES**

	<b>30 June 2014 HK\$'000 (Unaudited)</b>	31 December 2013 HK\$'000 (Audited)
Trade payables	<b>345,266</b>	318,243
Bills payables	<b>231,287</b>	389,551
Accrued charges and other creditors	<b>559,392</b>	598,463
	<b>1,135,945</b>	1,306,257
The aging analysis of trade payables is set out below:		
Within 90 days	<b>242,336</b>	205,376
Over 90 days	<b>102,930</b>	112,867
	<b>345,266</b>	318,243

## 12. SHARE CAPITAL

	30 June 2014		31 December 2013	
	Number of shares '000 (Unaudited)	Amount HK\$'000 (Audited)	Number of shares '000	Amount HK\$'000
<b>Authorised:</b>				
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
<b>Issued and fully paid:</b>				
At beginning of period/year	1,962,041	19,620	1,962,041	19,620
Issue of shares pursuant to a subscription agreement	–	–	–	–
At end of period/year	1,962,041	19,620	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:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Within one year	2,442	2,598
In the second to fifth year inclusive	798	2,059
	3,240	4,657

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

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
In respect of the acquisition of property, plant and equipment	43,887	163,294

## 14. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2014 (2013: 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  
(*Chairwoman*)  
Mr Lo Kai Lawrence  
Dr Pei Geng

### Remuneration committee

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

### Nomination committee

Ms So Tosi Wan, Winnie  
(*Chairwoman*)  
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

MUFG Fund Services (Bermuda) Limited  
The Belvedere Building,  
69 Pitts Bay 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  
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