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# 廣州藥業股份有限公司

**Guangzhou Pharmaceutical Company Limited**

*(a joint stock company with limited liability established in the People's Republic of China)*

(H Share Stock Code: 0874)

## SUMMARY OF 2009 INTERIM REPORT

### 1. IMPORTANT NOTICE

- 1.1 The Board of Directors (the “Board”), the Supervisory Committee (the “Supervisory Committee”) of Guangzhou Pharmaceutical Company Limited (“GPC” or the “Company”) and its Directors, Supervisors and Senior Management collectively and individually accept full responsibility for the authenticity, accuracy and completeness of the information contained in this interim report and confirm that there are no false information, misleading statements or material omissions in this summary.
- 1.2 This summary is extracted from the full text of the 2009 interim report of the Company, which is both published at the website (<http://www.sse.com.cn>) of the Shanghai Stock Exchange (“SSE”), and at the website (<http://www.hkex.com.hk>) of the Stock Exchange of Hong Kong Limited (“HKEx”). Investors who wish to know more details are advised to refer to the full text of the 2009 interim report carefully.
- 1.3 All Directors of the Board were present at the sixteenth meeting of the Fourth Session of the Board of the Company, among whom, Mr. Li Shanmin, an Independent non-executive Director, was unable to attend the meeting personally and appointed Mr. Zhang Yonghua, an Independent non-executive Director, to attend the meeting and vote on his behalf, Mr. Wong Hin Wing and Mr. Liu Jinxiang, an Independent non-executive Directors, attended the meeting by means of telephone.
- 1.4 Mr. Yang Rongming, the Chairman, Mr. Shi Shaobin, Director and General Manager, Mr. Chen Binghua, Financial Controller and Senior Manager of the Finance Department, warrant and confirm the authenticity and completeness of the financial reports contained in this summary.
- 1.5 The financial reports of the Company and its subsidiaries (collectively the “Group”) and the Company contained in this summary for the six months ended 30 June 2009 (the “Reporting Period”) are unaudited.

- 1.6 There has been appropriation of funds of the Company by its related parties (please refer to 6.3 of this summary).
- 1.7 The Company had not provided any external guarantee in violation of the decision-making procedures stipulated by the Company.
- 1.8 The financial data quoted in this summary were all prepared in accordance with the PRC Accounting Standards unless otherwise specified.
- 1.9 This summary is prepared in both English and Chinese. In the event that different interpretation occurs, with the exception of the condensed consolidated interim financial information prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, the Chinese version shall prevail.
- 1.10 All the information required to be contained in the summary of 2009 interim report of the Company pursuant to paragraph 46 of Appendix 16 to the Rules Governing the Listing of Securities on HKEx (the “Listing Rules”) will be published on the website of HKEx in due course.

## **2. COMPANY PROFILE**

### **2.1 General information**

Stock abbreviation:	GZ Phar.	
Stock code:	600332 (A share)	
Stock exchange:	The Shanghai Stock Exchange	
Stock abbreviation:	GZ Phar.	
Stock code:	0874 (H share)	
Stock exchange:	The Stock Exchange of Hong Kong Limited	
	Secretary to the Board	Representative of securities affairs
Name	Pang Jianhui	Huang Xuezheng
Address	45 Sha Mian North Street, Liwan District Guangzhou City, Guangdong Province, the PRC	
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Fax	(8620)8121 6408	
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## 2.2 Principal financial data and indicators

### 2.2.1 Principal financial data and indicators prepared in accordance with the PRC Accounting Standards

Items	As at 30 June 2009 (Unaudited)	As at 31 December 2008 (Audited)	Changes as compared with 31 December 2008 (%)
Total assets (RMB'000)	<b>4,198,295</b>	4,130,904	1.63
Net assets attributable to the shareholders of the Company (RMB'000)	<b>3,210,277</b>	3,124,842	2.73
Net assets per share attributable to the shareholders of the Company (RMB)	<b>3.96</b>	3.85	2.73

Items	The Reporting Period (Unaudited)	The corresponding period of 2008 (Unaudited) (Restated)	Changes as compared with the corresponding period of 2008 (%)
Operating profit (RMB'000)	<b>116,070</b>	192,945	(39.84)
Total profit (RMB'000)	<b>124,200</b>	198,145	(37.32)
Net profit attributable to the shareholders of the Company (RMB'000)	<b>116,563</b>	166,623	(30.04)
Net profit attributable to the shareholders of the Company after deducting non-operating items (RMB'000)	<b>103,858</b>	99,878	3.99
Basic earnings per share (RMB)	<b>0.144</b>	0.205	(30.04)
Basic earnings per share after deducting non-operating items (RMB)	<b>0.128</b>	0.123	3.99
Diluted earnings per share (RMB)	<b>0.144</b>	0.205	(30.04)
Fully diluted return on net assets (%)	<b>3.63</b>	5.36	A decrease of 1.73 percentage points
Weighted average return on net assets (%)	<b>3.66</b>	5.30	A decrease of 1.64 percentage points
Net cash flow from operating activities (RMB'000)	<b>242,138</b>	11,971	1,922.69
Net cash flow per share from operating activities (RMB)	<b>0.299</b>	0.015	1,922.69

Note: The above financial data and indicators are computed based on the consolidated financial statements.

## 2.2.2 Non-operating items

√ Applicable    □ Not applicable

<b>Items</b>	<b>Amount</b> <i>(RMB'000)</i>
Gain/(Loss) on disposal of non-current assets	27
Government subsidies recognized as gain/(loss) for the Reporting Period	9,066
Capital use fee received from non-financial enterprises recognized as gain/(loss) for the Reporting Period	1,374
Gain/(loss) on changes in fair value arising from trading financial assets and trading financial liabilities held (excluding the valid hedging business related to normal operating activities of the Company), as well as investment gains received from disposal of trading financial assets, trading financial liabilities and financial assets available for sale	1,002
Write back of provision of accounts receivable with individual impairment test	1,322
Gain/(Loss) received from entrusted loans	3,229
Other non-operating income and expenses excluding the above items	(963)
Income tax effect	(1,725)
Effect on minority interest	(627)
<b>Total</b>	<b>12,705</b>

## 2.2.3 Principal financial data and indicators prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS")

### Summary of assets and liabilities

<b>Items</b>	<b>As at</b> <b>30 June 2009</b> <i>(Unaudited)</i>	<b>As at</b> <b>31 December 2008</b> <i>(Audited)</i>	<b>Changes as</b> <b>compared with</b> <b>31 December 2008</b> <i>(%)</i>
Current assets (RMB'000)	<b>1,947,045</b>	1,928,055	0.98
Current liabilities (RMB'000)	<b>855,931</b>	878,291	(2.55)
Total assets (RMB'000)	<b>4,403,996</b>	4,354,664	1.13
Total liabilities (RMB'000)	<b>954,238</b>	993,899	(3.99)
Capital and reserves attributable to shareholders of the Company (RMB'000)	<b>3,338,890</b>	3,245,305	2.88
Net assets per share (RMB)	<b>4.12</b>	4.00	2.88

## Summary of results

Items	The Reporting Period (Unaudited)	The corresponding period of 2008 (Unaudited) (Restated)	Changes as compared with the corresponding period of 2008 (%)
Profit before income tax (RMB'000)	123,579	180,420	(31.50)
Profit attributable to shareholders of the Company (RMB'000)	118,788	149,463	(20.52)
Earnings per share (RMB)	0.146	0.184	(20.52)

### 2.2.4 Reconciliation between the accounts prepared in accordance with the PRC Accounting Standards and HKFRS

Applicable     Not applicable

	As at 30 June 2009 (RMB'000)	As at 31 December 2008 (RMB'000)
<b>Net Assets under the PRC Accounting Standards</b>	<b>3,210,277</b>	3,124,842
Difference arising from fixed assets revaluation	116,278	118,761
Revaluation of investment properties	74,089	64,733
Deferred government grants income generated prior to the adoption of the new PRC Accounting Standards	(2,264)	(2,387)
Provision for deferred tax liabilities arising from fixed assets revaluation	(47,779)	(46,425)
Difference in minority interest	(11,711)	(14,219)
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<b>Capital and reserves attributable to shareholders of the Company under HKFRS</b>	<b>3,338,890</b>	3,245,305
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	<b>For the six months ended 30 June 2009 (RMB'000)</b>	For the six months ended 30 June 2008 (RMB'000) (Restated)
<b>Net profit under the PRC Accounting Standards</b>	<b>116,563</b>	166,623
Amortisation of intangible assets	–	(16,669)
Additional depreciation on revalued fixed assets	<b>(2,483)</b>	(2,483)
Depreciation of investment properties	<b>1,456</b>	661
Amortisation of government grants recognised as deferred income prior to the adoption of the new PRC Accounting Standards	<b>123</b>	580
Provision for deferred tax liabilities arising from fixed assets revaluation	<b>621</b>	807
Difference in minority interest	<b>2,508</b>	(56)
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<b>Profit attributable to shareholders of the Company under HKFRS</b>	<b>118,788</b>	149,463
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### 3. CHANGES IN SHARE CAPITAL AND SHAREHOLDINGS OF MAJOR SHAREHOLDERS

#### 3.1 Changes in share capital

##### 3.1.1 Movement in share capital and its components

√ Applicable    □ Not applicable

	Before change		Change (+/-)					After change	
	Number (share)	Percentage (%)	New issues (share)	Bonus issues (share)	Reserves capitalized (share)	Others (listing and trading of tradable shares with selling restrictions) (share)	Sub-total (share)	Number (share)	Percentage (%)
<b>1. Shares with selling restrictions</b>									
(1) State-owned shares	-	-	-	-	-	-	-	-	-
(2) Shares held by State-owned legal entities	342,201,509	42.20	-	-	-	(342,201,509)	(342,201,509)	0	0
(3) Other domestic shares	45,312,000	5.59	-	-	-	(45,312,000)	(45,312,000)	0	0
Including: Shares held by domestic non-legal entities	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	-	-	-	-	-	-	-	-	-
(4) Shares held by foreign capital									
Including: Shares held by overseas legal entities	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
Total shares with selling restrictions	387,513,509	47.79	-	-	-	(387,513,509)	(387,513,509)	0	0
<b>2. Shares without selling restrictions</b>									
(1) Renminbi-denominated ordinary shares	203,486,491	25.09	-	-	-	387,513,509	387,513,509	591,000,000	72.88
(2) Domestically listed foreign capital shares	-	-	-	-	-	-	-	-	-
(3) Overseas listed foreign capital shares	219,900,000	27.12	-	-	-	-	-	219,900,000	27.12
(4) Others	-	-	-	-	-	-	-	-	-
Total shares without selling restrictions	423,386,491	52.21	-	-	-	387,513,509	387,513,509	810,900,000	100.00
<b>3. Total number of shares</b>	<b>810,900,000</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>810,900,000</b>	<b>100.00</b>

On 24 April 2009, among the shares of GPC held by its controlling shareholder, namely Guangzhou Pharmaceutical Holdings Limited (“GPHL”), 342,201,509 shares with selling restrictions became tradable shares. In addition, 36,834,200 shares, 1,357,800 shares and 7,120,000 shares of GPC held respectively by Guangzhou Beicheng Rural Credit Cooperative (“Beicheng Cooperative”), Guangzhou Baiyun Rural Credit Cooperative (“Baiyun Cooperative”), Guangzhou Huangshi Rural Credit Cooperative (“Huangshi Cooperative”), which were shares with selling restrictions, became tradable shares on the same day. Since then, the shares of the Company are fully circulated.

### 3.1.2 Changes of shares with restrictions

Shareholders	Number of shares with selling restrictions before change (share)	Number of shares with selling restrictions involved (share)	Reasons of change	Date of change	Number of shares with selling restrictions after change (share)
GPHL	342,201,509	(342,201,509)	Listing and trading of shares with selling restrictions	24 April 2009	0
Beicheng Cooperative	36,834,200	(36,834,200)	Listing and trading of shares with selling restrictions	24 April 2009	0
Baiyun Cooperative	1,357,800	(1,357,800)	Listing and trading of shares with selling restrictions	24 April 2009	0
Huangshi Cooperative	7,120,000	(7,120,000)	Listing and trading of shares with selling restrictions	24 April 2009	0

### 3.2 The top ten shareholders

Number of shareholders as at the end of the Reporting Period 50,321

#### The top ten shareholders

Name of shareholders	Nature of shares	Approximate percentage of the total share capital (%)	Number of shares held as at the end of the Reporting Period (share)	Changes in the number of shares held during the Reporting Period (share)	Number of shares held with selling restrictions (share)	Number of pledged or frozen shares (share)
GPHL	Domestic shares	48.20	390,833,391	0	Nil	Nil
HKSCC Nominees Limited	Foreign shares	27.04	219,267,299	(40,000)	Nil	Unknown
Beicheng Cooperative	Domestic shares	5.49	44,542,000	0	Nil	Nil
Huangshi Cooperative	Domestic shares	1.05	8,524,000	0	Nil	Nil
Baiyun Cooperative	Domestic shares	0.20	1,642,000	0	Nil	Nil
Meng Xiangtong	Domestic shares	0.14	1,134,300	0	Nil	Unknown
Wang Shaoyong	Domestic shares	0.06	503,050	503,050	Nil	Unknown
Wang Jiming	Domestic shares	0.06	500,000	500,000	Nil	Unknown
Guo Yuan Securities-Agricultural Bank of China – Guo Yuan Huangshan No.1 Restrictive asset management plans	Domestic shares	0.06	472,872	472,872	Nil	Unknown
Zhang Ping	Domestic shares	0.06	456,600	456,600	Nil	Unknown

#### Explanation on the connection among the above shareholders

- (1) According to the information provided by HKSCC Nominees Limited, the H shares held by it were held on behalf of several clients.
- (2) Except for the shareholding investment rights of Beicheng Cooperative, Huangshi Cooperative and Baiyun Cooperative in the Company belonging to Guangzhou Rural Credit Cooperative Union, the Company was not aware of any connection among other shareholders, or whether they were persons acting in concert as provided in the “Rules Governing the Disclosure of Change in Shareholders’ Shareholding in Listed Companies”.



### **3.3 Change of the controlling shareholder and beneficial owner of the Company**

Applicable  Not applicable

## **4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **4.1 Change of directors', supervisors' and senior management's interest in A shares of the Company**

Applicable  Not applicable

### **4.2 Appointment and resignation of directors, supervisors and senior management of the Company during the Reporting Period**

Applicable  Not applicable

## **5. REPORT OF THE BOARD OF DIRECTORS**

### **5.1 Management Discussion and Analysis**

*(Unless otherwise stated, the financial data contained in this summary is extracted from the Group's financial accounts prepared in accordance with the PRC Accounting Standards)*

#### *5.1.1 Business Scope*

The Group is principally engaged in (1) the manufacture and sales of Chinese Patent Medicine, and research and development of natural medicine and biological medicine; and (2) wholesale, retail, import and export of western and Chinese pharmaceutical products and medical apparatus.

#### *5.1.2 Operations review*

According to the PRC Accounting Standards, the Group recorded an income from principal activities of RMB1,903,008,000 for the Reporting Period, down 8.04% as compared to the same period of last year. The profit before tax amounted to RMB124,200,000, representing a decrease of 37.32% as compared to the same period of last year and net profit amounted to RMB116,563,000, representing a decrease of 30.04% as compared to the same period of last year.

According to HKFRS, the Group recorded a turnover of RMB1,903,008,000 for the Reporting Period, down 8.04% as compared to the same period of last year. Profit before income tax amounted to RMB123,579,000, representing a decrease of 31.50% as compared to the same period of last year and profit attributable to shareholders of the Company amounted to RMB118,788,000, representing a decrease of 20.52% as compared to the same period of last year.

In the first half of 2009, the operating results of the Group saw some decrease comparing to the same period of last year, mainly due to: (1) in January 2008, the premium income from the additional capital contribution into Guangzhou Pharmaceuticals Corporation (“GP Corp.”) by Alliance BMP Limited and the income arising from the transfer of equity interests in GP Corp. by Guang Zhou Jing Xiu Tang Pharmaceutical Co., Ltd. (“Jing Xiu Tang”) and Guangzhou Pan Gao Shou Pharmaceutical Co., Ltd. (“Pan Gao Shou”), subsidiaries of the Company, amounted to RMB 60,996,000. The above income was a one-off investment income and the Group did not have such investment income for the first half of 2009; (2) in the first half of 2009, the Group continued to adjust its marketing strategies and distribution models, which caused certain impact on some of the Group’s product sales; (3) the economic environments in China and around the world and increasing competition in the domestic pharmaceutical industry also had certain impact on the operation business of the Group.

A breakdown of the overall operating results and the results of each principal activity of the Group during the Reporting Period is set out as follows:

<b>Items</b>	<b>The Reporting Period</b> <i>(RMB'000)</i>	The corresponding period of 2008 <i>(RMB'000)</i>	Increase/(Decrease) <i>(YoY)</i> <i>(%)</i>
<b>Prepared in accordance with the PRC Accounting Standards</b>			
Income from principal operations	<b>1,903,008</b>	2,069,339	(8.04)
Operating profit	<b>116,070</b>	192,945	(39.84)
Total profit	<b>124,200</b>	198,145	(37.32)
Net profit	<b>116,563</b>	166,623	(30.04)
<b>Prepared in accordance with HKFRS</b>			
Turnover	<b>1,903,008</b>	2,069,339	(8.04)
Profit before income tax	<b>123,579</b>	180,420	(31.50)
Profit attributable to shareholders of the Company	<b>118,788</b>	149,463	(20.52)

## 5.2 Analysis of the Group's principal activities and major products is set out as follows:

### 5.2.1 Principal activities

Principal Operations	Revenue from principal operations		Costs of principal operations		Profit margin of principal operation	
	Revenue from principal operations (RMB'000)	Increase/decrease over the same period of last year (%)	Cost of principal operations (RMB'000)	Increase/decrease over the same period of last year (%)	Profit margin of principal operation (%)	Increase/decrease over the same period of last year (percentage point)
<b>Prepared in accordance with the PRC Accounting Standards</b>						
Overall operations	1,903,008	(8.04)	1,437,096	(2.96)	23.94	A decrease of 3.92 percentage points
Included: Manufacturing	932,323	(8.93)	535,433	5.36	41.60	A decrease of 7.61 percentage points
Trading	970,685	(7.17)	901,663	(7.30)	6.97	An increase of 0.03 percentage point
<b>Prepared in accordance with HKFRS</b>						
Overall operations	1,903,008	(8.04)	1,437,096	(2.96)	24.48	A decrease of 3.96 percentage points
Included: Manufacturing	932,323	(8.93)	535,433	5.36	42.57	A decrease of 7.66 percentage points
Trading	970,685	(7.17)	901,663	(7.30)	7.11	An increase of 0.03 percentage point

### 5.2.2 Major products

Products	Revenue from principal operations		Costs of principal operations		Profit margin of principal operations	
	Revenue from principal operations (RMB'000)	Increase/decrease over the same period of last year (%)	Cost of principal operations (RMB'000)	Increase/decrease over the same period of last year (%)	Gross profit margin (%)	Increase/decrease over the same period of last year (percentage point)
Heat clearing and anti-toxic medicine	101,720	(33.20)	61,764	(23.85)	38.31	A decrease of 7.29 percentage points
Diabetic medicine	201,049	(28.77)	91,101	(3.51)	53.72	A decrease of 11.69 percentage points
Cough and phlegm clearing medicine	124,158	(29.80)	64,971	(22.39)	46.70	A decrease of 4.83 percentage points
Arthritic medicine	120,282	(6.36)	59,527	(1.69)	49.54	A decrease of 2.18 percentage points
Gastric medicine	32,365	13.49	18,070	16.47	43.20	A decrease of 1.26 percentage points
Other products	352,749	38.15	240,000	38.80	30.99	A decrease of 0.15 percentage point

The total amount of sales of products and rendering of service from the Group to GPLH together with its related parties for the Reporting Period amounted to RMB209,060,000.

### 5.3 Geographical analysis of principal business

√ Applicable    □ Not applicable

<b>Region</b>	<b>Revenue from principal operations (RMB '000)</b>	<b>Change in revenue from principal operations as compared with the corresponding period of last year (%)</b>
Southern China	1,273,036	(13.91)
Eastern China	262,065	8.50
Northern China	143,879	44.33
North-Eastern China	36,055	(37.59)
South-Western China	92,659	(11.59)
North-Western China	37,244	10.63
Exports	58,070	9.22
<b>Total</b>	<b><u>1,903,008</u></b>	<b><u>(8.04)</u></b>

### 5.4 The manufacturing operations

To ensure the sustainable and healthy development of the Group's manufacturing operations, in the first half of 2009, the Group continued to adjust its marketing strategies and the distribution models, and took a series of measures. Firstly, we improved our marketing organization structure, streamlined the working procedures, strengthened the management of the marketing team, and enhanced working efficiency. Secondly, we reinforced the management of our sales channels, established and improved the allocation of secondary distributors, regional distributors and end retailers, expanded the coverage of its product sales channels, and maintained the product pricing system. Thirdly, we strived to expand end markets, improved end market distribution network building, promoted the expansion of the third end market, strived for promotion of sales driven by end markets. Fourthly, while maintaining the sales of our key products, we actively stimulated the sales of second-line products and promoted products of sales potential in a bid to nurture new points of business growth for the sustainable development of the Group. In the first half of 2009, products such as Xu Han Ting Ke Li, Ru He San Jie Pian, Shu Jin Jian Yao Wan, San Qi Hua Zhi Wan, Qian Lie Tong Pian and Wei Nai An Jiao Nang, experienced a quite significant increase in sales as compared to the same period of last year. Fifthly, we seized the opportunities arising from the change of the national medical reform policies, closely followed up the work relating to the national basic list of medicines, community medical system and the New Rural Cooperative Medical System. We adjusted our way of thinking and work approach and conducted a thorough research of the fundamental conditions of some community medical systems, community medication and community medical insurance in Guangzhou. In the meantime, we carried out a series of work such as bidding and promotion in some pilot areas, communities and areas under the

New Rural Cooperative Medical System respectively, laying a solid foundation for making more of our products eligible to be added in the basic list.

During the Reporting Period, the Group continued to promote technological innovation by increasing investments in this area and promoting development for new products and commercialization of research results. In the first half of 2009, the Group made application for four invention patents and acquired two invention patents. Guangzhou Zhong Yi Pharmaceutical Co., Ltd. (“Zhong Yi”) acquired the clinical approval for its Jin Fo Zhi Tong Ke Li and Metformin Hydrochloride Tablets. Guangzhou Baidi Bio-technology Co., Ltd. (“Guangzhou Bai Di”) completed special clinical research for its therapeutic dual-plasmid HBV DNA vaccine, which is currently in stage IIa clinical research.

## **5.5 The trading operations (including wholesale, retail, import and export)**

During the Reporting Period, the Group’s trading operations firstly emphasized on establishing long term strategic partnership with its suppliers so as to explore the market and expand the operation for products of potential growth. During the Reporting Period, the trading companies convened a number of communication meetings with its key suppliers and potential suppliers regarding online bidding arrangements and successfully maintained the loyalty of its suppliers and strengthening the efforts and maintenance on its relationships with key suppliers, enhancing the service capability to end clients and intensifying communication with government authorities. Secondly, it actively sought to explore the market and suppliers with strengths, adopted a diversified operating model and expanded distribution channels. In the first half of this year, Guangzhou Cai Zhi Lin Pharmaceutical Co., Ltd. (“Cai Zhi Lin”) opened a number of boutique pharmacies jointly with some manufacturers and achieved satisfactory results. Two more “DONG-E E-JIAO” boutique pharmacies will be opened this year, achieving a true complementation relationship with manufacturers. Thirdly, it joined with other manufacturers to participate in Guangdong’s “Sunshine medical supplies bidding” and other medicine bidding activities across the country. It successfully improved communication with government authorities, hospitals and enterprises to enhance the opportunity of winning bids for the products of the Group. Meanwhile, it proactively made plans with the manufacturing enterprises of the Group for hospitals’ purchase of medicines in various regions, especially Guangdong province, which helped lay a solid foundation for hospital net sales growth. Fourthly, it steadily promoted the work relating to the community medical system and marketing in end markets. Fifthly, it deepened the cooperation in regional markets. For instance, it promoted the cooperation between the manufacturing enterprises of the Group and Ying Bang Branch Company of Guangzhou Pharmaceutical Company Limited (“Ying Bang Branch Company”) in Shanghai and Zhejiang, and intensified the cooperation between the manufacturing enterprises and the trading enterprises of the Group and in Guangdong.

As at 30 June 2009, the Group had 71 retail chain pharmacy outlets, including 70 “Cai Zhi Lin” which specialized in traditional Chinese medicines, and 1 pharmacy named Ying Bang.

## 5.6 The operating results of the Company's fellow enterprises during the Reporting Period

√ Applicable    □ Not applicable

Name of enterprises	Equity directly held by the Company (%)	Revenue from principal operations (RMB'000)	Total Profit (RMB'000)	Net profit (RMB'000)
<b>(1) Subsidiaries</b>				
Guangzhou Xing Qun Pharmaceutical Co., Ltd.	88.99	69,212	(28,247)	(24,319)
Zhong Yi	100.00	287,629	38,002	34,102
Guangzhou Chen Li Ji Pharmaceutical Factory	100.00	117,297	13,946	12,381
Guangzhou Qi Xing Pharmaceutical Co., Ltd.	75.00	119,376	868	738
Jing Xiu Tang	88.40	96,010	5,015	4,349
Pan Gao Shou	87.77	125,942	(202)	(294)
Guangxi Ying Kang Pharmaceutical Co., Ltd	51.00	16,007	109	109
Guangzhou Bai Di	97.26	578	(1,299)	(1,299)
Guangzhou Han Fang Contemporary Medicine Research & Development Co., Ltd. (“Guangzhou Han Fang”)	97.04	36,554	(8,176)	(8,176)
Cai Zhi Lin	100.00	620,873	4,649	3,528
Guangzhou Pharmaceutical Import & Export Corporation	100.00	151,440	690	546
<b>(2) Branch company</b>				
Ying Bang Branch Company	–	357,342	2,811	2,811
<b>(3) Joint ventures</b>				
Guangzhou Wang Lao Ji Pharmaceutical Co., Ltd. (“Wang Lao Ji”) (note)	48.05	857,080	125,156	109,578
GP Corp (note)	50.00	5,556,890	72,835	52,116

Note: The results of Wang Lao Ji and GP Corp were stated in full amount in above table.

**5.7 Other activities which have a significant impact on the Group's net profit**

Applicable     Not applicable

**5.8 Operation of the Group's invested companies (applicable to the Group's invested companies derived to the Group of any investment income which equals to 10% or more of the Group's net profit)**

Applicable     Not applicable

**5.9 Explanation on significant changes in principal activities as compared with the same period of last year and their composition**

Applicable     Not applicable

**5.10 Explanation on significant changes in profit from principal activities (gross profit margin) as compared with the corresponding period of last year**

Applicable     Not applicable

**5.11 Explanation on significant changes in profit composition**

Applicable     Not applicable

**5.12 Use of proceeds from issue of A shares**

*5.12.1 Use of proceeds from issue of A shares*

Applicable     Not applicable

Proceeds from the issuance of A shares of the Company has all been used up by 31 December 2007.

*5.12.2 Change in projects*

Applicable     Not applicable

**5.13 Revision on the Board's operation plans for the second half of 2009**

Applicable     Not applicable

**5.14 Early warning and explanation for negative impact on profit for the next reporting period or significant profit fluctuation in comparison to the same period of last year**

Applicable     Not applicable



**5.15 The explanation of the Company's management on the qualified opinion issued by the auditors**

Applicable     Not applicable

**5.16 The explanation of the Company's management on changes and handling of the issue by the auditors for 2008**

Applicable     Not applicable

**5.17 Liquidity, financial resource and capital structure**

As at 30 June 2009, the current ratio of the Group was 2.54 (as at 30 June 2008: 2.20) and the quick ratio was 1.79 (as at 30 June 2008: 1.49). During the Reporting Period, annual turnover rate for accounts receivable was 10.17 times, representing an decrease of 19.04% when compared with the corresponding period of last year, and annual inventory turnover rate was 4.79 times, representing an increase of 6.21% as compared with the corresponding period of last year.

As at 30 June 2009, the cash and cash equivalents of the Group amounted to RMB495,698,000 (as at 30 June 2008: RMB369,687,000), of which approximately 99.03% is denominated in RMB and 0.97% is denominated in foreign currencies such as Hong Kong dollars.

As at 30 June 2009, the current liabilities of the Group amounted to RMB760,347,000, including short-term borrowings of RMB141,280,000 (as at 30 June 2008: RMB304,029,000).

**5.18 Capital expenditure**

The Group expected that capital expenditure for the year 2009 will be approximately RMB132,000,000 and actual expenditure in the first half of 2009 amounted to RMB26,000,000 (the first half of 2008: RMB99,000,000), which will be mainly applied in the construction of facilities and infrastructure and purchases of machines and equipment, ect. The Group has sufficient financial resources to meet the capital expenditure and daily working capital requirements.

**5.19 Exposure to fluctuations in exchange rate**

As the majority of revenues, expenses, assets and liabilities of the Group are denominated in RMB, the Group does not have significant exposure to fluctuations in exchange rate.

**5.20 Contingent liabilities**

As at 30 June 2009, the Group had no significant contingent liabilities.

**5.21 Charge on Group's assets**

As at 30 June 2009, the Group had no charge on its assets.

## 5.22 Bank loans, overdraft and other loans

Up to 30 June 2009, the loans of the Group amounted to RMB151,280,000 (31 December 2008: RMB273,275,000), a decrease of RMB121,995,000 as compared with those at the beginning of the Reporting Period. Short-term borrowings were RMB141,280,000 and long-term borrowings were RMB 10,000,000.

## 5.23 Gearing ratio

Up to 30 June 2009, the Group's gearing ratio (total liabilities/total assets x 100%) was 21.22% (31 December 2008: 21.93%).

**5.24 As at the end of the Reporting Period, the number of the Group's employees amounted to 5,630. The remuneration policy of the employees had no major changes as compared with the previous reporting period. The total remuneration of the Group's employees for the first half of 2009 was RMB152,000,000.**

## 6. MAJOR EVENTS

**6.1 During the Reporting Period, the Company's purchase and disposal of assets or business combination and other transactions**

### 6.1.1 Acquisition of assets

Applicable  Not applicable

### 6.1.2 Disposal of assets

Applicable  Not applicable

### 6.1.3 Other transactions during the Reporting Period

1. On 10 January 2007, Guangzhou Han Fang entered into a merger agreement with Guangzhou Huan Ye Pharmaceutical Co., Ltd ("Guangzhou Huan Ye") (Please refer to the announcement of the Company on Shanghai Securities News in the PRC, The Hong Kong Economic Times and Standard in Hong Kong, the PRC published on 11 January 2007). Currently, the formalities in relation to the merger of Guangzhou Han Fang and Guangzhou Huan Ye were completed.
2. On 27 March 2009, the Company and Guangzhou Pharmaceutical Soccer Club Limited entered into the Agreement in relation to Advertising Continuing Connected Transactions for connected transactions in advertisement in the ordinary course of business. The Agreement in relation to the Advertising Connected Transactions was approved at the Board meeting on 27 March 2009.

Please refer to the announcement of the Company published on Shanghai Securities News in the PRC and the website of HKEx on 30 March 2009 for details.

3. On 27 March 2009, the Company, GP Corp and Wang Lao Ji entered into the Agreement in relation to the Purchase and Sales Connected Transactions for connected transactions in purchase and sales conducted in the ordinary course of business. The Agreement in relation to the Purchase and Sales Connected Transactions and transactions under the Agreement were approved at the Board meeting on 27 March 2009 and the 2008 Annual General Meeting on 19 June 2009.

Please refer to the announcement of the Company published on Shanghai Securities News in the PRC and the website of HKEx on 30 March 2009 for details.

4. Connected Transactions in the ordinary course of business

For the details of connected transactions in the ordinary course of business, please refer to the notes to accounting statement of the financial report prepared in accordance with the PRC Accounting Standards.

## 6.2 Guarantees

Applicable  Not applicable

### Guarantees provided to parties other than the Company's subsidiaries

Guaranteed parties	Date of signing of agreements	Amount involved (RMB'000)	Type of guarantees	Term of guarantees	Executed or not	Guarantees for related parties
–	–	–	–	–	–	–

Accumulated amount of guarantees provided during the Reporting Period (RMB'000)

Nil

Balance of guarantees as at the end of the Reporting Period (RMB'000)

Nil

### The Company's guarantees provided to its subsidiaries

Accumulated amount of guarantees provided to the Company's subsidiaries during the Reporting Period (RMB'000)

107,010

Balance of guarantees provided to the Company's subsidiaries as at the end of the Reporting Period (RMB'000)

127,190

### The Company's guarantees (including those provided to its subsidiaries)

Total amount of guarantees provided (RMB'000)

127,190

Total amount of guarantees provided amount the net assets of the Company (%)

4.38

Including:

Amount of guarantees provided to the Company's shareholders, the controlling shareholder and other connected parties (RMB'000)

–

Direct or indirect guarantees provided to entities with a gearing ratio of over 70% (RMB'000)

75,010

Amount of guarantees provided which exceeds 50% of the total net assets of the Company (RMB'000)

–

Total amount of the above three types of guarantees (RMB'000)

75,010

Explanation on the joint and several liabilities of outstanding guarantees

Nil

Notes for guarantees

Nil

### 6.3 Non-operating funds to/from related parties

Applicable  Not applicable

Related parties	Relationship with the Company	Capital provided to related parties		Capital received from related parties	
		Amount (RMB'000)	Balance (RMB'000)	Amount (RMB'000)	Balance (RMB'000)
<b>Other receivables and payments:</b>					
GP Corp. (note)	Joint venture	31,660	31,660	—	—
<b>Subtotal</b>		<u>31,660</u>	<u>31,660</u>	<u>—</u>	<u>—</u>
<b>Entrusted loans:</b>					
GP Corp. (note)	Joint venture	—	120,000	—	—
Wang Lao Ji (note)	Joint venture	—	—	—	30,000
<b>Subtotal</b>		<u>—</u>	<u>120,000</u>	<u>—</u>	<u>30,000</u>
<b>Total</b>		<u><u>31,660</u></u>	<u><u>151,660</u></u>	<u><u>—</u></u>	<u><u>30,000</u></u>

Notes:

- (1) Up to 30 June 2009, the Company has provided entrusted loans totaling RMB120,000,000 and loans amounting to RMB31,660,000 to GP Corp., a joint venture, which were the loans provided to GP Corp. as working capital before its joint venture project kicked off, with a view to supporting its business development. On the completion of the joint venture project of GP Corp., to sustain the stability of its business and operation, the Company was committed to provide the loans not more than RMB212,660,000 to GP Corp., with a term ending on the second anniversary of the issuance of the JV Business License (please refer to the announcement of the Company dated 9 February 2007 for details). Currently, GP Corp is gradually repaying the loans to the Company as agreed.
- (2) Up to 30 June 2009, the entrusted loans provided to the Company as working capital by Wang Lao Ji, a joint venture, amounted to RMB30,000,000, which will be due at the end of 2009.

### 6.4 Major litigation and arbitration

Applicable  Not applicable

### 6.5 Purchase, sale or redemption of shares

Neither of the Company or any of its subsidiaries had redeemed, sold, purchased or cancelled any of the Company's shares during the Reporting Period.

**6.6 The Board does not recommend the payment of a dividend for the six months ended 30 June 2009 nor propose any increase in share capital from the capital reserve.**

**6.7 Performance of undertakings**

(1) Undertakings of conditional shares by shareholders holding 5% or more interests in the Company and beneficial owner in 2009

Applicable     Not applicable

(2) As at the date of the interim report, the Company did not have any undertaking in relation with its results which had not been fully performed.

(3) As at the date of the disclosure of this interim report, the Company did not have any undertakings in relation with assets injection or mergers which had not been fully performed.

**6.8 Compliance with the Code on Corporate Governance Practices**

Having reviewed the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “Code”), the Company had complied with the requirements as set out in the Code during the Reporting Period and no material deviations from the Code occurred.

**6.9 Model Code for Securities Transactions by Directors and Supervisors**

The Company had adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules and Measures for the Administration of Trading Shares of the Company by Directors, Supervisors and Senior Management as stipulated by the Company as the standards and criteria for securities transactions entered into by the Directors and Supervisors. After specific enquiries made to all Directors and Supervisors, the Company has confirmed that all the Company’s directors and supervisors complied with the standards relating to directors’ and supervisors’ dealing in securities as set out in the above code and criteria during the Reporting Period.

**6.10 The Audit Committee of the Fourth Session of the Board is comprised of four Independent non-executive Directors, one of whom has appropriate professional qualification. The Audit Committee of the Company has reviewed the accounting policies, accounting standards and treatments adopted by the Group, and discussed with the management about the audit, internal controls and financial reporting matters. The Audit Committee has also reviewed the unaudited interim accounts for the six months ended 30 June 2009.**

## 6.11 Explanation on other major events, their impact and solutions

### 6.11.1 Stock Investments

Applicable  Not applicable

No.	Type of Stock	Stock Code	Stock name	Initial investment amount (RMB'000)	Number of shares held as at the end of the Reporting Period (share)	Book value as at the end of the Reporting Period (RMB'000)	% of stock investments for the Reporting Period (%)	Gain/(Loss) during the Reporting Period (RMB'000)
1	A Share of the Shanghai Stock Exchange	600038	Hafei Aviation Industry Co., Ltd.	1,806	57,810	903	22.53	383
2	A Share of the Shanghai Stock Exchange	600664	Harbin Pharmaceutical Group Co., Ltd.	3,705	222,546	3,107	77.47	619
Other stock investments held as at the end of the Reporting Period				-	-	-	-	-
Gain/(Loss) of stock investments sold as at the end of the Reporting Period				-	-	-	-	-
Total				<u>5,511</u>	<u>280,356</u>	<u>4,010</u>	<u>100.00</u>	<u>1,002</u>

### 6.11.2 Information on the Company's interests in shares of other listed companies

Applicable  Not applicable

Stock Code	Stock name	Initial investment amount (RMB'000)	% of shareholding (%)	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of share
601328	Bank of Communications	269	-	2,386	-	923	Available-for-sale financial assets	Transferred from long term equity investment

### 6.11.3 Information on the Company's Interests in non-listed Financial Institutions

Applicable  Not applicable

Name	Initial investment amount (RMB'000)	Number of shares held (share)	% of shareholding	Book value as at the end of the Reporting Period (RMB'000)	Gain/(Loss) during the Reporting Period (RMB'000)	Changes in equity during the Reporting Period (RMB'000)	Accounting item	Sources of share
China Everbright Bank Company Limited	10,725	6,050,000	Approx. 0.02	10,725	–	–	Long-term-equity investment	Acquisition
Golden Eagle Fund Management Co., Ltd.	20,000	–	20.00	14,514	(1,003)	–	Long-term-equity investment	Acquisition

### 6.12 Explanation on other major issues

Applicable  Not applicable

## 7. FINANCIAL REPORTS

### 7.1 Audit Opinion

Financial report                          Unaudited

**7.2 Extracted from the condensed consolidated interim financial information prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting”.**

### 7.3 Condensed Consolidated Interim Statement of Income

	Note	Unaudited	
		Six months ended 30 June	
		2009	2008
		(RMB '000)	(RMB '000)
			(Restated)
Revenue		1,903,008	2,069,339
Cost of goods sold		(1,437,096)	(1,480,915)
<b>Gross profit</b>		<b>465,912</b>	588,424
Other operating income		53,574	44,057
Other gains – net		3,512	64,362
Other operating expenses		(4,611)	(4,082)
Selling and marketing costs		(266,070)	(341,853)
Administrative expenses		(203,989)	(235,216)
<b>Operating profit</b>	7	<b>48,328</b>	115,692
Finance costs – net		(4,540)	(7,929)
Share of post-tax (losses)/profits of associates		(1,687)	387
Share of post-tax profits of jointly controlled entities		81,478	72,270
<b>Profit before income tax</b>		<b>123,579</b>	180,420
Income tax expense	8	(9,271)	(25,262)
<b>Profit for the period</b>		<b>114,308</b>	155,158
<b>Profit attributable to:</b>			
– shareholders of the Company		118,788	149,463
– minority interest		(4,480)	5,695
		<b>114,308</b>	155,158
<b>Earnings per share for profit attributable to shareholders of the Company</b> (expressed in RMB per share)			
– basic and diluted	9	<b>0.146</b>	0.184
<b>Dividends</b>	10	–	–



## Condensed Consolidated Interim Statement of Comprehensive Income

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
		<i>(Restated)</i>
<b>Profit for the period</b>	<b>114,308</b>	155,158
<b>Other comprehensive income</b>		
Fair value gains/(losses) on available- for-sale financial assets, net of tax	<b>1,456</b>	(2,786)
Revaluation of investment properties upon initial recognition, net of tax	<b>6,808</b>	13,121
	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>122,572</b>	165,493
	<hr/>	<hr/>
<b>Total comprehensive income attributable to:</b>		
– shareholders of the Company	<b>126,146</b>	159,798
– minority interest	<b>(3,574)</b>	5,695
	<hr/>	<hr/>
	<b>122,572</b>	165,493
	<hr/> <hr/>	<hr/> <hr/>

## Condensed Consolidated Interim Balance Sheet

	<i>Note</i>	<b>Unaudited 30 June 2009 (RMB '000)</b>	<b>Audited 31 December 2008 (RMB '000)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,264,286	1,311,088
Investment properties		161,698	135,426
Leasehold land and land use rights		95,903	97,164
Intangible assets		11,930	12,162
Investments in associates		18,007	19,695
Investments in jointly controlled entities		840,435	787,580
Available-for-sale financial assets		17,403	16,272
Deferred income tax assets		47,289	47,222
		<u>2,456,951</u>	<u>2,426,609</u>
<b>Current assets</b>			
Inventories		567,590	633,059
Trade and other receivables	4	840,555	869,066
Financial assets at fair value through profit or loss		4,010	3,008
Tax recoverable		15,558	41,788
Restricted cash		23,634	15,275
Cash and cash equivalents		495,698	365,859
		<u>1,947,045</u>	<u>1,928,055</u>
<b>Total assets</b>		<u><b>4,403,996</b></u>	<u><b>4,354,664</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to shareholders of the Company</b>			
Share capital and premium		1,592,034	1,592,034
Other reserves		989,984	984,490
Retained earnings			
– Proposed final dividend		–	32,436
– Others		756,872	636,345
		<u>3,338,890</u>	<u>3,245,305</u>
<b>Minority interest in equity</b>		<u><b>110,868</b></u>	<u><b>115,460</b></u>
<b>Total equity</b>		<u><b>3,449,758</b></u>	<u><b>3,360,765</b></u>

	<i>Note</i>	<b>Unaudited 30 June 2009 (RMB '000)</b>	Audited 31 December 2008 (RMB '000)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		49,697	46,959
Government grants		19,526	13,525
Employee benefits		19,084	25,124
Borrowings	6	10,000	30,000
		<u>98,307</u>	<u>115,608</u>
<b>Current liabilities</b>			
Trade and other payables	5	674,727	628,926
Dividend payables		32,584	58
Current income tax liabilities		7,340	6,032
Borrowings	6	141,280	243,275
		<u>855,931</u>	<u>878,291</u>
<b>Total liabilities</b>		<u>954,238</u>	<u>993,899</u>
<b>Total equity and liabilities</b>		<u>4,403,996</u>	<u>4,354,664</u>
<b>Net current assets</b>		<u>1,091,114</u>	<u>1,049,764</u>
<b>Total assets less current liabilities</b>		<u>3,548,065</u>	<u>3,476,373</u>

## **1 Basis of Preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with HKAS 34, “Interim financial reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with HKFRSs.

## **2 Accounting Policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income).

The Group has elected to present two statements: a statement of income and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in change in reportable segments presented, as the previously reported wholesale, retail, import and export segments have been combined into a trading segment. Comparative figures for 2008 have been restated.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. It also requires entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. The Group will make additional relevant disclosures in its financial statements ending 31 December 2009.
- HKAS 23 (Revised), “Borrowing costs”. The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This revised standard does not have an impact on the condensed consolidated interim financial information.

The following amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKFRS 2 (amendment), “Share-based payment”.
- HKAS 32 (amendment), “Financial instruments: presentation”.
- HK(IFRIC)-Int 9 (amendment), “Reassessment of embedded derivatives” and HKAS 39 (amendment), “Financial instruments: Recognition and measurement”.
- HK(IFRIC)-Int 13, “Customer loyalty programmes”.
- HK(IFRIC)-Int 15, “Agreements for the construction of real estate”.
- HK(IFRIC)-Int 16, “Hedges of a net investment in a foreign operation”.
- HKAS 39 (amendment), “Financial instruments: Recognition and measurement”.

### 3 Segment information

The chief operating decision-maker has been identified as the Board of Directors (“BOD”). The BOD reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The BOD considered the nature of the Group’s business and determined that the Group has two reportable operating segments as follows:

- Manufacturing: comprises the development, manufacture, distribution and sale of Chinese Patent Medicine (“CPM”);
- Trading: relates mainly to wholesales, retail, import and export of western pharmaceutical products, CPM and medical apparatus and the wholesale, retail of Chinese raw medicine;

The BOD assesses the performance of the operating segments based on a measure of revenue and the profit after tax for the period. Other information provided, except as noted below, to the BOD is measured in a manner consistent with that in the financial statements.

Assets of reportable segments exclude corporate property, plant and equipment, investment properties, investment in subsidiaries, interest in associates, interests in jointly controlled entities, available-for-sale financial assets, deferred income tax assets, loans to subsidiaries, loans to jointly controlled entities, dividends due from subsidiaries, financial assets at fair value through profit or loss, cash and cash equivalents and other unallocated corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Turnover consists of sales from manufacturing and trading segments, which are RMB 932,323,000 and RMB 970,685,000 for the six months ended 30 June 2009 and RMB 1,023,711,000 and RMB 1,045,628,000 for the six months ended 30 June 2008 respectively.

Sales between segments are carried out on terms equivalent to those that prevail in arm’s length transactions. The revenue from external parties reported to the BOD is measured in a manner consistent with that in the condensed consolidated interim statement of income.

The segment results for the period ended 30 June 2009 are as follows:

	<b>Manufacturing</b> <i>(RMB'000)</i>	<b>Trading</b> <i>(RMB'000)</i>	<b>Unallocated</b> <i>(RMB'000)</i>	<b>Elimination</b> <i>(RMB'000)</i>	<b>Total</b> <i>(RMB'000)</i>
<b>Six months ended 30 June 2009</b>					
Total revenue	962,490	1,061,543	–	(121,025)	1,903,008
Inter-segment revenue	(30,167)	(90,858)	–	121,025	-
Revenue (from external customers)	<u>932,323</u>	<u>970,685</u>	<u>–</u>	<u>–</u>	<u>1,903,008</u>
Profit after tax	<u>13,898</u>	<u>7,279</u>	<u>119,358</u>	<u>(26,227)</u>	<u>114,308</u>
Depreciation and amortisation	(53,533)	(1,773)	(884)	–	(56,190)
Impairment losses relating to inventory	(3,491)	(914)	–	–	(4,405)
Impairment losses relating to receivables	(3,086)	(224)	–	–	(3,310)
Write back of provision for impairment of inventory	327	–	–	–	327
Write back of provision for impairment of receivables	7,317	22	–	–	7,339
Finance cost-net	(4,519)	(7,050)	(371)	7,400	(4,540)
Share of post-tax losses from associates	–	–	(1,687)	–	(1,687)
Share of post-tax profits from jointly controlled entities	–	–	81,478	–	81,478
Income tax expense	(3,455)	(1,564)	(4,252)	–	(9,271)

The segment results for the period ended 30 June 2008 are as follows:

	<b>Manufacturing</b> <i>(RMB'000)</i>	<b>Trading</b> <i>(RMB'000)</i>	<b>Unallocated</b> <i>(RMB'000)</i>	<b>Elimination</b> <i>(RMB'000)</i>	<b>Total</b> <i>(RMB'000)</i>
<b>Six months ended 30 June 2008 (Restated)</b>					
Total revenue	1,134,329	1,216,098	–	(281,088)	2,069,339
Inter-segment revenue	(110,618)	(170,470)	–	281,088	–
Revenue (from external customers)	<u>1,023,711</u>	<u>1,045,628</u>	<u>–</u>	<u>–</u>	<u>2,069,339</u>
Profit after tax	<u>52,634</u>	<u>4,271</u>	<u>320,360</u>	<u>(222,107)</u>	<u>155,158</u>
Depreciation and amortisation	(52,069)	(1,660)	(1,448)	–	(55,177)
Impairment losses relating to inventory	–	(4)	–	–	(4)
Impairment losses relating to receivables	(14,956)	(1,164)	–	–	(16,120)
Write back of provision for impairment of inventory	214	–	–	–	214
Write back of provision for impairment of receivables	400	–	–	–	400
Finance cost-net	(8,588)	(10,926)	(1,313)	12,898	(7,929)
Share of post-tax profits from associates	–	–	387	–	387
Share of post-tax profits from jointly controlled entities	–	–	72,270	–	72,270
Income tax expense	(21,264)	(1,254)	(2,744)	–	(25,262)

The segment assets and liabilities as at 30 June 2009 are as follows:

	<b>Manufacturing</b> <i>(RMB'000)</i>	<b>Trading</b> <i>(RMB'000)</i>	<b>Unallocated</b> <i>(RMB'000)</i>	<b>Elimination</b> <i>(RMB'000)</i>	<b>Total</b> <i>(RMB'000)</i>
<b>As at 30 June 2009</b>					
<b>Total assets</b>	2,511,105	760,460	3,220,379	(2,087,948)	4,403,996
Total assets include:					
Interests in jointly controlled entities	–	–	840,435	–	840,435
Interests in associates	–	–	18,007	–	18,007
Additions to non-current assets (other than financial instruments and deferred tax assets)	<u>23,210</u>	<u>2,400</u>	<u>56</u>	<u>–</u>	<u>25,666</u>
<b>Total liabilities</b>	<u>834,982</u>	<u>637,527</u>	<u>98,380</u>	<u>(616,651)</u>	<u>954,238</u>



The segment assets and liabilities as at 31 December 2008 are as follows:

	<b>Manufacturing</b> <i>(RMB'000)</i>	<b>Trading</b> <i>(RMB'000)</i>	<b>Unallocated</b> <i>(RMB'000)</i>	<b>Elimination</b> <i>(RMB'000)</i>	<b>Total</b> <i>(RMB'000)</i>
<b>As at 31 December 2008 (Restated)</b>					
<b>Total assets</b>	2,547,841	771,475	3,120,987	(2,085,639)	4,354,664
Total assets include:					
Interests in jointly controlled entities	–	–	787,580	–	787,580
Interests in associates	–	–	19,695	–	19,695
Additions to non-current assets (other than financial instruments and deferred tax assets)	97,933	2,286	220	–	100,439
<b>Total liabilities</b>	854,291	674,899	71,575	(606,866)	993,899

A reconciliation of profit after tax is provided as follows:

	<b>Six months ended 30 June</b>	
	<b>2009</b>	<b>2008</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>(Restated)</i>
Profit for reportable segments	<b>21,177</b>	56,905
Corporate income and expenses		
– Other operating income	<b>19,548</b>	23,536
– Other gains-net	<b>1,002</b>	61,881
– Corporate expenses	<b>(9,353)</b>	(17,071)
– Dividend income from subsidiaries	<b>32,622</b>	182,101
– Share of post-tax (losses)/profits from associates	<b>(1,687)</b>	387
– Share of post-tax profits from jointly controlled entities	<b>81,478</b>	72,270
– Income tax expense	<b>(4,252)</b>	(2,744)
Elimination	<b>(26,227)</b>	(222,107)
<b>Profit for the period</b>	<b>114,308</b>	155,158

Reportable segments' assets are reconciled to total assets as follows:

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i> <i>(Restated)</i>
Total segment assets	<b>3,271,565</b>	3,319,316
Corporate assets:		
– Property, plant and equipment	<b>15,618</b>	16,467
– Investment properties	<b>60,823</b>	60,823
– Investment in subsidiaries	<b>1,454,836</b>	1,454,836
– Interests in associates	<b>18,007</b>	19,695
– Interests in jointly controlled entities	<b>840,435</b>	787,580
– Available-for-sale financial assets	<b>17,403</b>	16,272
– Deferred income tax assets	<b>1,058</b>	2,022
– Loans to subsidiaries	<b>402,637</b>	382,946
– Loans to jointly controlled entities	<b>151,660</b>	154,213
– Dividends due from subsidiaries	<b>90,404</b>	68,597
– Financial assets at fair value through profit or loss	<b>4,010</b>	3,008
– Cash and cash equivalent	<b>151,847</b>	148,367
– Other unallocated assets	<b>11,641</b>	6,161
Elimination	<b>(2,087,948)</b>	(2,085,639)
<b>Total assets per condensed consolidated balance sheet</b>	<b>4,403,996</b>	4,354,664

Reportable segments' liabilities are reconciled to total liabilities as follows:

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i> <i>(Restated)</i>
Total segment liabilities	<b>1,472,509</b>	1,529,190
Corporate liabilities:		
– Deferred income tax liabilities	<b>6,617</b>	6,319
– Dividend payables	<b>32,436</b>	–
– Borrowings	<b>50,000</b>	50,000
– Other unallocated liabilities	<b>9,327</b>	15,256
Elimination	<b>(616,651)</b>	(606,866)
<b>Total liabilities per condensed consolidated balance sheet</b>	<b>954,238</b>	993,899

The Group is domiciled in PRC. The result of its revenue from external customers in PRC for the six months ended 30 June 2009 is RMB 1,845,825,000 (for the six months ended 30 June 2008: RMB 2,016,178,000), and the total of its revenue from external customers from other countries is RMB 57,183,000 (Six months ended 30 June 2008: RMB 53,161,000).

At 30 June 2009, the total of non-current assets other than financial instruments and deferred tax assets (there were no employment benefit assets and rights arising under insurance contracts) located in the PRC is RMB 2,392,259,000 (At 31 December 2008: RMB 2,363,115,000).

For the six months ended 30 June 2009 and 2008, the revenue from the Group's largest customers was less than 10% of the Group's total revenue.

#### 4 Trade and Other Receivables

Trade receivables generated from credit sales generally have credit terms within six months. The ageing analysis of trade receivables (including amounts due from related parties of trading in nature) were as follows:

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i>
Within 3 months	<b>329,199</b>	375,001
3 months to 6 months	<b>70,941</b>	40,752
6 months to 1 year	<b>14,798</b>	36,907
Over 1 year	<b>58,885</b>	59,980
	<hr/>	<hr/>
Less: provision for trade receivables	<b>(50,848)</b>	(54,669)
	<hr/>	<hr/>
Trade receivables-net	<b>422,975</b>	457,971
	<hr/> <hr/>	<hr/> <hr/>

## 5 Trade and Other Payables

At 30 June 2009, the ageing analysis of trade payables (including amounts due to related parties of trading in nature) were as follows:

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i>
Within 3 months	367,892	276,068
3 months to 6 months	14,234	30,390
6 months to 1 year	5,843	6,532
1 year to 2 years	4,441	17,447
Over 2 years	4,584	5,231
	<u>396,994</u>	<u>335,668</u>

## 6 Borrowings

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i>
Non-current	10,000	30,000
Current	141,280	243,275
	<u>151,280</u>	<u>273,275</u>

Movements in borrowings is analysed as follows:

(RMB'000)

**Six months ended 30 June 2008 (Restated)**

Opening amount 1 January 2008	968,402
Additions	200,012
Repayments of borrowings	(66,641)
Transfer to a jointly controlled entity arising from dilution of interest in a subsidiary	(797,744)
	<hr/>
Closing amount as at 30 June 2008	304,029
	<hr/>

**Six months ended 30 June 2009**

Opening amount as at 1 January 2009	273,275
Additions	124,280
Repayments of borrowings	(246,275)
	<hr/>
Closing amount as at 30 June 2009	151,280
	<hr/> <hr/>

Interest on borrowings for the six months ended 30 June 2009 amounted to RMB6,028,000 (six months ended 30 June 2008: RMB 8,381,000).

The Group has the following undrawn borrowing facilities:

	<b>30 June 2009</b> <i>(RMB'000)</i>	31 December 2008 <i>(RMB'000)</i>
Floating rate:		
– expiring within 1 year	<u><u>52,470</u></u>	<u><u>55,780</u></u>

## 7 Operating Profit

The following items have been (credited)/charged to the operating profit during the interim period:

	<b>Six months ended 30 June</b>	
	<b>2009</b> <i>(RMB '000)</i>	2008 <i>(RMB '000)</i> <i>(Restated)</i>
Gain on dilution of interest in a subsidiary	–	(47,559)
Gain on disposal of interest in a subsidiary	–	(16,409)
Government grants	<b>(9,056)</b>	(4,722)
Write back of provision for impairment of inventory	<b>(327)</b>	(214)
Write back of provision for impairment of receivables	<b>(7,339)</b>	(400)
Fair value (gains)/losses from financial assets at fair value through profit or loss	<b>(1,002)</b>	2,142
Impairment charge relating to inventory	<b>4,405</b>	4
Impairment charge relating to receivables	<b>3,310</b>	16,120
Disposal loss of property, plant and equipment	<b>334</b>	240

## 8 Income Tax Expense

The PRC corporate income tax has been provided at the rate of 25% (2008:25%) on the estimated assessable profit for the period, except for a jointly controlled entity which is a foreign investment production enterprise and six subsidiaries which are qualified as Guangdong New/High Technology Enterprise (“NHTE”). The jointly controlled entity is also entitled to an exemption from the PRC corporate income tax for two years commencing from the first profit-making year and a 50% reduction in the income tax rate in the following three years. In 2009, the tax rate for this jointly controlled entity is 12.5%. The applicable corporate income tax rate for the six subsidiaries qualified as NHTE is 15%, from 2008 to 2010 if these subsidiaries could continue to meet the NHTE criteria.

	<b>Six months ended 30 June</b>	
	<b>2009</b> <i>(RMB '000)</i>	2008 <i>(RMB '000)</i> <i>(Restated)</i>
Current income tax		
– PRC corporate income tax	<b>9,055</b>	45,043
Deferred income tax	<b>216</b>	(19,781)
	<b>9,271</b>	25,262

## 9 Earnings per Share

The calculation of basic earnings per share is based on the net profit for the six months ended 30 June 2009 attributable to shareholders of RMB 118,788,000 (2008: RMB 149,463,000), divided by the weighted average number of ordinary shares outstanding during the period of 810,900,000 shares (2008: 810,900,000 shares). There were no dilutive potential ordinary shares as of period end and therefore the diluted earning per share amount is the same as the basic.

## 10 Dividends

At a meeting held on 27 March 2009, the directors declared a final dividend of RMB 0.04 per share for the year ended 31 December 2008, totaling RMB 32,436,000 (2007: RMB 100,552,000).

The directors do not recommend the payment of interim dividend for the six months ended 30 June 2009 (2008: same).

## 11 Comparative figures

The Group adopted proportionate consolidation method to account for its interests in jointly controlled entities when preparing the condensed consolidated interim financial information for the six months ended 30 June 2008 while equity method was adopted when the Group prepared the annual financial statements for the year ended 31 December 2008. In order to adopt consistent accounting policies to provide more reliable information, certain comparative figures of the statement of income have been restated based on the assumption that the financial information for the six months ended 30 June 2008 had been prepared using equity method for its interest jointly controlled entities.

The changes resulted in:

	Six months ended 30 June 2008 (RMB'000)
Statement of income	
Decrease in:	
Revenue	2,710,213
Cost of goods sold	2,429,586
Expenses	192,006
Income tax expense	16,351
Increase in:	
Share of post-tax profits of jointly controlled entities	<u>72,270</u>

### 7.3 Note to the financial statements

7.3.1 *Explanation on the change in the accounting policy, accounting estimates and accounting errors of the Company, reasons and impact*

Applicable     Not applicable

7.3.2 *Significant changes in respect of consolidation scope of the Group during the Reporting Period*

Applicable     Not applicable

7.3.3 *Notes to the non-standard unqualified auditors' report*

Applicable     Not applicable

The Board of  
**Guangzhou Pharmaceutical Company Limited**

Guangzhou, the PRC, 28 August 2009

*As at the date of this announcement, the Board comprises Mr. Yang Rongming, Mr. Shi Shaobin and Mr. Feng Zansheng as Executive Directors, and Mr. Wong Hin Wing, Mr. Liu Jinxiang, Mr. Li Shanmin and Mr. Zhang Yonghua as Independent Non-Executive Directors.*