CGE HEALTHCARE
中国远大 健康

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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The board of directors (the ''Board'') of China Grand Pharmaceutical and Healthcare Holdings Limited (the ''Company'') is pleased to announce the results of the Company and its subsidiaries (collectively the ''Group'') for the year ended 31 December 2013 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Turnover	*4*	**2,658,282**	2,059,307
Cost of sales		**(1,771,752)**	(1,414,124)
Gross profit		**886,530**	645,183
Other income		**97,616**	89,790
Distribution costs		**(456,608)**	(340,313)
Administrative expenses		**(315,536)**	(236,986)
Other operating expenses	*5*	**(2,390)**	(353)
Share of results of associates		**301**	15
Finance costs	*6*	**(77,633)**	(41,801)
Profit before tax		**132,280**	115,535
Income tax expenses	*7*	**(26,994)**	(10,830)
Profit for the year	*8*	**105,286**	104,705

	Notes	**2013** **HK$'000**	2012 *HK$'000*
Other comprehensive income/(loss), net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**28,606**	10,572
Change in fair value of available-for-sale financial assets, after tax		**2,892**	196
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year		**(6,724)**	-
Other comprehensive income for the year, net of income tax		**24,774**	10,768
Total comprehensive income for the year		**130,060**	115,473
Profit for the year attributable to:			
- Owners of the Company		**99,658**	67,305
- Non-controlling interests		**5,628**	37,400
		105,286	104,705
Total comprehensive income attributable to:			
- Owners of the Company		**123,608**	76,809
- Non-controlling interests		**6,452**	38,664
		130,060	115,473
Dividend	*9*	**-**	-
Earnings per share	*10*		
- Basic (HK cents)		**5.08**	3.46
- Diluted (HK cents)		**5.08**	3.46

Consolidated Statement of Financial Position
At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**2,095,369**	1,423,363
Prepaid lease payments		**287,539**	434,655
Interests in associates		**6,297**	11,750
Available-for-sale financial assets		**43,387**	52,498
Deposit for acquisition of non-current assets		**13,969**	27,804
Goodwill		**124,777**	97,133
Intangible assets		**82,782**	298
Deferred tax assets		**1,362**	3,661
Prepayments		**17,631**	26,028
Loan receivables		**20,493**	37,316
		2,693,606	2,114,506
Current assets			
Inventories		**562,283**	442,297
Trade and other receivables	*11*	**892,610**	443,436
Loan receivables		**33,301**	14,926
Prepaid lease payments		**4,761**	10,516
Pledged bank deposits		**129,023**	23,816
Cash and cash equivalents		**249,765**	304,588
		1,871,743	1,239,579
Current liabilities			
Trade and other payables	*12*	**1,306,257**	614,466
Bank borrowings		**1,262,267**	1,305,755
Obligations under finance leases		**5,516**	-
Derivative financial instrument		**1,310**	-
Income tax payable		**38,879**	36,433
		2,614,229	1,956,654
Net current liabilities		**(742,486)**	(717,075)
Total assets less current liabilities		**1,951,120**	1,397,431
Non-current liabilities			
Bank borrowings		**395,768**	115,578
Obligations under finance leases		**7,916**	-
Deferred tax liabilities		**50,200**	81,463
Amount due to holding company		**21,401**	19,649
Deferred income		**385,046**	301,012
		860,331	517,702
NET ASSETS		**1,090,789**	879,729
Capital and reserves			
Share capital		**19,620**	19,620
Reserves		**857,263**	733,654
Equity attributable to owners of the Company		**876,883**	753,274
Non-controlling interests		**213,906**	126,455
TOTAL EQUITY		**1,090,789**	879,729

Notes:

1. GENERAL INFORMATION

China Grand Pharmaceutical and Healthcare Holdings Limited (the "Company") is incorporated in Bermuda on 18 October 1995 as an exempted company under the Companies Act 1981 of Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 19 December 1995. The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate information" section of the annual report.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sales of pharmaceutical, healthcare and chemical products in the People's Republic of China (the "PRC").

The directors consider that Outwit Investments Limited ("Outwit") is the parent and ultimate holding company of the Company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), and the functional currency of the Group is Renminbi ("RMB"). The board of directors considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) Int-12 Consolidation - Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in these consolidated financial statements:

HKFRS 9	Financial Instruments[5]
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets [1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HK(IFRIC)-Int 21	Levies[1]

1 effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

2 effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

3 effective for annual periods beginning on or after 1 January 2014, with limited exceptions.

4 effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

5 no mandatory effective date yet determined but is available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 − Offsetting Financial Assets and Financial Liabilities and the related disclosures

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments to HKAS 36 − Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Amendments to HKAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC) – Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$742.5 million as at 31 December 2013. The directors of the Company have taken the following factors to consider the future liquidity which include, but not limited to, the followings: (i) as set out in note 35 to the 2013 audited consolidated financial statements which has been audited by independent auditors, the Group has compensation of approximately RMB229.5 million (equivalent to approximately HK$293.9 million) not yet received by the Group from the Land Reserve Centre; (ii) as set out in note 5 to the 2013 audited consolidated financial statements which has been audited by independent auditors, the Group has unused banking facilities of approximately HK$1,049.0 million as at 31 December 2013; and (iii) Outwit Investments Limited, a shareholder of the Company, has agreed to provide continuing financial support to the Group. As such, the directors are satisfied that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. TURNOVER AND SEGMENT INFORMATION

For the year ended 31 December 2013, the Group is principally engaged in manufacture and sales of pharmaceutical, healthcare and chemical products. The board of directors, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single reportable segment under HKFRS 8 and accordingly, no separate segment information is prepared.

The Group's turnover represents the invoiced value of goods sold, net of discounts and sales related taxes.

Geographical information

The Group's operations are mainly located in the PRC (country of domicile) and it also derives revenue from America, Europe and Asia.

Information about the Group's revenue from external customers is presented based on geographical location of the customers and information about the Group's non-current assets is presented based on geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**2,071,336**	1,369,487	**2,648,857**	2,058,347
America	**296,765**	174,613	**-**	-
Europe	**159,164**	246,098	**-**	-
Asia other than PRC	**115,052**	260,467	**-**	-
Others	**15,965**	8,642	**-**	-
Total	**2,658,282**	2,059,307	**2,648,857**	2,058,347

Note: Non-current assets excluded available-for-sale financial assets and deferred tax assets.

Information about major customers

For the years ended 31 December 2013 and 2012, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

5. OTHER OPERATING EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Amortisation of intangible assets	**1,746**	353
Loss on sales and leaseback	**644**	-
	2,390	353

6. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**77,162**	41,410
Interest on amount due to holding company	**471**	391
	77,633	41,801

7. INCOME TAX EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Current tax:		
PRC	**27,518**	13,117
Deferred tax	**(524)**	(2,287)
	26,994	10,830

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.

8. PROFIT FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit for the year is arrived at after charging:		
Depreciation of property, plant and equipment	**95,127**	68,898
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**10,188**	10,969
Amortisation of intangible assets (included in other operating expenses)	**1,746**	353
Total depreciation and amortisation	**107,061**	80,220
Share of tax of associates	**164**	149
Cumulative gain on disposal of available-for-sale investment	**6,724**	-

9. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share calculation	**99,658**	67,305

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share calculation	**1,962,041**	1,946,942

Diluted earnings per share was the same as the basic earnings per share because there was no potential dilutive ordinary share outstanding during the years ended 31 December 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**321,976**	208,608
Bills receivables	**324,225**	75,516
Other receivables, deposits and prepayments	**269,515**	183,918
Less: impairment loss on other receivables	**(23,106)**	(24,606)
	892,610	443,436

The Group allows a credit period of 30 – 90 days to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date at the reporting date.

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**292,543**	176,798
91-180 days	**27,273**	14,463
181-365 days	**11,682**	17,611
Over 365 days	**21,781**	21,395
	353,279	230,267
Less: accumulated impairment	**(31,303)**	(21,659)
	321,976	208,608

12. TRADE AND OTHER PAYABLES

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**318,243**	187,232
Bills payables	**389,551**	117,410
Accrued charges and other payables	**598,463**	309,824
	1,306,257	614,466

An ageing analysis of trade payables is as follows:

	2013	2012
	HK$'000	*HK$'000*
Within 90 days	**205,376**	134,627
Over 90 days	**112,867**	52,605
	318,243	187,232

EXTRACTED FROM INDEPENDENT AUDITORS' REPORT

Material uncertainty concerning going concern basis of accounting

Without qualifying our opinion, we draw attention to Note 3 to the financial statements which indicate that the Group had net current liabilities of approximately HK$742,486,000 as at 31 December 2013. These conditions, along with other matters as set forth in Note 3 to the financial statements, indicate that existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is mainly engaged in research and development, manufacturing and sales of pharmaceutical preparations, pharmaceutical intermediates, specialized pharmaceutical raw materials and healthcare products. The core products of pharmaceutical preparations include cerebro-cardiovascular medicines, ENT products such as ophthalmic medicines, medicines for anti-bacterial and antibiotics, antipyretic and analgesic, etc. The major products of pharmaceutical intermediates and specialized raw materials include steroid hormones, amino acids and anti-bacterial and antibiotics products, etc., and our healthcare core products include taurine, etc. The Group commits to expand business through self-expansion such as development of new medicines, improvement of production technology, change of production structure more effectively, expansion of production capacity and extension of the sales networks and acquisition of related medical assets in order to maintain relatively high growth rate, and it also aims to become one of the largest manufacturers of pharmaceutical and healthcare products in the PRC.

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

In July 2013, the Grand Pharm (China) entered into an acquisition agreement with, among others, 北京錕吾國際商業有限公司 (Beijing Kun Wu International Business Limited#)(the "Kun Wu"), pursuant to which Grand Pharm (China) has agreed to purchase approximately 70.84% equity interest in 北京汭藥科技有限公司 (Beijing Rui Yao Technology Limited#)(the "Rui Yao") at the consideration of RMB35,777,800. This acquisition may increase the product pool of the core cerebro-cardiovascular pharmaceuticals products, enlarge the market share in the cerebro-cardiovascular pharmaceuticals market of the Group and also strengthen the competitive advantages of the Group in the cerebro-cardiovascular pharmaceuticals area, and it may become a new business growing point and profit centre of the Group. Furthermore, it has advanced manufacturing facilities and experienced in the production of cerebro-cardiovascular pharmaceuticals products which could bring advantages to the Group. It also has a large and experienced professional marketing team, which may result in a significant synergy effect with the existing marketing team of the Group for the promotion of cerebro-cardiovascular pharmaceuticals products. Such acquisition was completed in October 2013.

Furthermore, the reallocation of the new production plants is closed to completion, and certain production facilities are under test-run. The new GMP production approval and certificates are under application stage, and it is expected to operate in full scale soon. Hubei Wellness Pharmaceutical Co., Ltd. ("Hubei Wellness"), a company newly acquired at the end of last year, has completed the internal restructuring. Its core products such as cerebro-cardiovascular medicine and rheumatism medicines belong to National Reimbursement Drug List and National Essential Drug List, and have provided positive contribution to the Group during the current year.

Turnover

For the year ended 31 December 2013, the Group recorded a turnover of approximately HK$2,658 million, which increased by approximately 29.1% comparing with the same period of last year. The average gross profit margin of the Group was approximately 33.3%, which increased by approximately 2.0% comparing with 2012.

Pharmaceutical Preparations

The pharmaceutical preparations are the major sources of profit of the Group, which the core products include cerebro-cardiovascular, ophthalmic, antibacterial and antibiotics medicines, etc. During the year ended 31 December 2013, the turnover amount of pharmaceutical preparations was approximately RMB741.28 million and was increased by approximately 38.4% in comparison with the same period of last year.

- **Cerebro-cardiovascular medicines**

  The cerebro-cardiovascular medicine is the core product and the business growth engine of the Group. The sales team of the Group endeavor to expand new markets, and has provided contributions during the year. For the year ended 31 December 2013, the turnover of the cerebro-cardiovascular medicines of the Group recorded approximately RMB 282.63 million and was increased by approximately 49.8% in comparison with the same period of 2012. The Tirofiban, an anti-platelet drug, recorded a turnover of approximately RMB100.36 million with an increment of approximately 43.6%. Our new products Simvastatin also provided approximately RMB28.01 million turnover amount.

- **Ophthalmic medicines and other pharmaceutical preparations**

  During the current financial year, the turnover amount of ophthalmic medicines increased by approximately 16.9% to approximately RMB177.53 million in comparison with 2012. Due to the increment of selling branches and launch of advertisement, the turnover of ophthalmic non-prescription medicines Polyvinyl Alcohol eyedrops recorded approximately RMB49.83 million, which was increased by approximately 81.0% in comparison with the same period of last year. The traditional antibiotics product Enoxacin also recorded approximately RMB50.92 million turnover, with an increment of approximately 73.3% in comparison with same period last year. Nimesulide tablets, an antipyretic and analgesic medicines by Hubei Wellness, recorded a turnover of approximately RMB24.49 million, Anti-viral Oral Solution by Grand Huangshi Feiyun also recorded turnover of approximately RMB11.32 million.

Pharmaceutical Intermediates

The pharmaceutical intermediates are also major products of the Group, which include pharmaceuticals raw materials such as Analgin, Metronidazole and Chloramphenicol and other amino acids products. For the year ended 31 December 2013, the turnover amount of pharmaceutical intermediates was approximately RMB580.86 million, while it was approximately RMB532.20 million in the same period of 2012.

- **Pharmaceutical raw materials**

  During the year ended 31 December 2013, the turnover amount of pharmaceuticals raw materials was approximately RMB326.62 million, while it was approximately RMB306.78 million in the same period of last year. The turnover of Analgin increased by approximately 14.2% to approximately RMB174.08 million. The turnover amount of Chloramphenicol, a raw material of antibiotics which the Group commenced the development since 2011, was approximately RMB65.53 million.

- **Amino acids products**

  The Group is one of the largest manufacturers of amino acids products in the PRC. During the current fiscal year, the turnover amount of the amino acids products of the Group was approximately RMB254.24 million, which was increased by approximately 12.7% in comparison with the same period of last year. The key product N-acetyl-L-cysteine recorded a turnover of RMB41.83 million, which was increased by approximately 46.0%. Apart from export business expansion, the increased production capacity and new production technology at new production plant in Fuchi district contributed our products into the high-end markets. The increase of market demands of L-Leucine triggered the increment of turnover from approximately RMB18.33 million to approximately RMB44.88 million.

Steroid Hormones and its Intermediates

The Group is one of the few steroid hormones raw materials manufacturers in the PRC, and our products quality has been accepted by the PRC and overseas customers. Certain products have passed the quality assurance test of Europe EDQM and received Europe COS certification.The newly constructed production facilities in Jiangsu was completed in 2013 and gradually put production into practice. It 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 completion of newly production facilities, the Group also launched new products during 2013, such as Prednisone series. During the current review period, the turnover amount of steroid hormones of the Group was approximately RMB256.71 million and was increased by approximately 25.4% in comparison with the same period of last year.

- **Glucocorticoid and Sex Hormones**

  In 2013, the Glucocorticoid products of the Group include Betamethasone and Dexamethasone, recorded a turnover amount of approximately RMB142.98 million, which was decreased by approximately 14.9% in comparison with the same period of last year. The reason of such decline was due to the product prices fluctuations affected by the market. The turnover of sex hormones was approximately RMB73.45 million, in which the main growing point was Hydroxyprogesterone, a newly launched product in the second half of 2012, recorded a turnover amount of approximately RMB46.53 million.

- **Prednisone Series**

  Prednisone series, a product newly launched at the year end of 2013, were fully produced at the new production facilities at Jiangsu. During the year ended 31 December 2013, the turnover of such product was approximately RMB19.97 million and was exported to India. It is currently under the application of international certifications and it may help to expand the sales to high tiers market.

Healthcare and Chemical Products

The healthcare and chemical products manufactured and sold by the Group include Taurine, Calcium Superphosphate and Dimethyl Sulfate, and the bio-pesticides and bio-feed additives products already have certain market shares and are well recognized by customers. During the year 2013, the turnover amount of the relevant products was approximately RMB527.71 million, while the turnover amount of the relevant products attributed to the Group in the same period of last year was approximately RMB429.34 million.

- **Taurine**

  The Group is one of the largest exporters of Taurine in the PRC, and we have done several production technology enhancement projects in the past years, which enhanced the product quality and production efficiency and provided returns to the Group. In 2013, both domestic and export businesses of Taurine of the Group have substantial growth. We have more international new customers, and our existing customers also maintained stable procurement amount. The turnover amount of Taurine products in 2013 was approximately RMB 188.42 million and was increased by approximately 71.7 % as compared with the same period of last year.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses of this year was approximately HK$456.61 million and HK$315.54 million respectively, while it was approximately HK$340.31 million and HK$236.99 million respectively in the same period of last year. The increment of these two expenses was mainly due to the execution of the strategy in related to the expansion of market share and resulted an approximately 29.1% increment of turnover amount. It is also contributed by the newly acquired business and the reallocation of the production plant.

Finance Costs

For the year ended 31 December 2013, the finance costs of the Group were approximately HK$77.63 million, while they were approximately HK$41.80 million in 2012. The increment was mainly due to the addition of bank loans which are financing the short-term operation expenses during the expansion of production capacities and reallocation of production plants.

Outlook and Future Prospects

The IMS market research data in November 2013 shows that the size of the global pharmaceutical market will grow by 5%-8% to US$1,100 billion in 2014 while China's pharmaceutical market will maintain a growth rate of 14% to 17% in the next five years. Being the world's third largest pharmaceutical market, China has been a driving force for the growth of the global pharmaceutical industry. Internally, the Chinese pharmaceutical market has grown rapidly due to market demand arising from factors such as population aging and the change in disease spectrum. In China, the proportion of elderly people aged 50 or above is expected to rise from 24% in 2010 to 33% in 2020 and the incidence of chronic diseases will also gradually increase. Externally, it derives power from the spread and use of medical insurance. For instance, basically more than 95% of the urban and rural population in China has been covered by medical insurance. Moreover, the proportion of government support in medical insurance is on the rise and the level of medical care has been improving.

In September 2013, the State Council of China released the document "Several Opinions on Promoting the Development of Health Service Industry", pursuant to which accelerating the development of the health service industry is considered not only a prerequisite in intensifying medical reforms, enhancing people's livelihood and improving the national health quality but also an important initiative that alters the pattern of economic development in China. Medical service capabilities, health management standards, health insurance services as well as pharmaceutical and health products will become new focuses in the industry's development. In particular, the Chinese government will provide strong policy support to areas such as R&D, manufacturing and application of independent drugs with intellectual property rights, medical devices and other health-related products, to promote a substantial increase in domestic market share and global competitiveness of related products. The document foresees that, by 2020, the total size of China's health service industry will exceed RMB8,000 billion and the proportion to GDP will rise sharply from the current 5% to 15%.

The Group has always attached great importance on the introduction of advanced production technologies and facilities as well as the development of world-class high-tech and new products. First of all, after several years of strenuous efforts, the Group finally completed the relocation and construction of four major manufacturing bases in 2013 and all of its production facilities have successfully obtained the new GMP certification of China. Secondly, the Group attaches great importance to and actively participates in activities related to the merger and acquisition of pharmaceutical assets. Over the past year or so, the Group greatly enriched its cardiovascular and ENT drug varieties by investing in and acquiring four quality pharmaceutical enterprises, which has solidified its market position in these two treatment areas. At the same time, the Group has made significant progress in natural anti-tumor drugs, drugs for the digestive system and anti-inflammatory and analgesic drugs. These new product areas will become new sources of revenue crucial for the Group. Thirdly, the Group gives full support to the introduction and R&D of new products. Through independent R&D, cooperative development and M&As, the Group has initially built a team of experts with internationally advanced biotechnology experience whom will bring into the Group new development opportunities and competitive edges in some specific pharmaceutical product areas such as amino acids and steroid hormones, as a result of which an impetus boosting a substantial increase in the Group's gross profit and profitability will be gradually formed.

In the next few years, the Group will continue to adhere to the strategy of developing core products and tying in with the industry chain. The Group will consolidate and reinforce its core competitiveness in areas such as ophthalmology and cardiovascular emergency medicine, leverage its biotechnology platform for the development of high-tech and new biotechnologies and differentiated products, strengthen the capacity of its sales force in market and product coverage and bring in synergy among invested and acquired companies, hence substantially improving production efficiency and effectiveness. The Group has confidence and capability to develop itself into one of the fastest growing pharmaceutical enterprises in the pharmaceutical segment of the Hong Kong capital markets and one of the top 20 enterprise groups in China's pharmaceutical industry.

Financial Resources and Liquidity

As at 31 December 2013, the Group had current assets of HK$1,871,743,000 (31 December 2012: HK$1,239,579,000) and current liabilities of HK$2,614,229,000 (31 December 2012: HK$1,956,654,000). The current ratio was 0.72 at 31 December 2013 as compared with 0.63 at 31 December 2012.

The Group's cash and bank balances as at 31 December 2013 amounted to HK$249,765,000 (31 December 2012: HK$304,588,000), of which approximately 13% were denominated in Hong Kong and United States Dollars and 87% in Renminbi.

As at 31 December 2013, the Group had outstanding bank loans of HK$1,658,035,000 (31 December 2012: HK$1,421,333,000). Included in the bank loans, there were bank loans of approximately HK$413,046,000 were denominated in US$. All other bank loans are denominated in RMB and granted by banks in the PRC and Macau. The interest rates charged by banks ranged from 1.0% to 7.8% (31 December 2012: 3.08% to 7.50%) per annum, in which approximately HK$359,697,000 bank loans were charged at fixed interest rates. These bank loans were pledged by assets of the Group with a net book value of HK$314,862,000 (31 December 2012: HK$73,864,000). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was 189% at 31 December 2013 as compared with 189% at 31 December 2012.

Since the Group's principal activities are in the PRC and the financial resources available, including cash on hand and bank borrowings, are mainly in Renminbi and Hong Kong Dollars, 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 31 December 2013, other than the foreign contracts for investment purpose, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

On 22 February 2013, Grand Pharm (China) entered into a joint venture agreement with HuangShi Feiyun, in which agreed that a new company Grand Huangshi Feiyun was established in Huangshi, the PRC. The Grand Huangshi Feiyun is owned beneficially as to 60% by Grand Pharm (China) and as to the balance of 40% by HuangShi Feiyun. The purpose of establishing the Grand Huangshi Feiyun is to set up a national naturally-sourced medicine research and development and manufacturing base in Huangshi, the PRC.

On 16 July 2013, the Grand Pharm (China) entered into an acquisition agreement with, among others, 北京錕吾國際商業有限公司 (Beijing Kun Wu International Business Limited[#])(the "Kun Wu"), pursuant to which Grand Pharm (China) has agreed to purchase approximately 70.84% equity interest in 北京汭藥科技有限公司 (Beijing Rui Yao Technology Limited[#])(the "Rui Yao") at the consideration of RMB35,777,800. Such acquisition was completed in October 2013.

Significant Investment

There was no other significant investment during the year.

Contingent Liabilities

As at 31 December 2013, the directors of the Company were not aware of any material contingent liabilities.

Subsequent Events

In March 2014, the Group sold certain equity interest of 遠大武漢醫藥研究總院有限公司(Grand Wuhan Pharmaceutical Research Limited)# (formerly known as 武漢遠諾維盛醫藥科技有限公司 (Yuan Nuo Wei Sheng Pharmaceutical Technology Limited)#), a company the Group held 10% equity interest, in which 5% to Mr. Zhang Ji, 1.67% to Mr. Xie Guofan, 1% to Mr. Shi Xiaofeng and 0.67% to Mr. Yang Bo. The consideration is RMB1,000,000, RMB334,000, RMB200,000 and RMB134,000 respectively. Mr. Zhang Ji is the executive director of the Company, Mr. Xie Guofan is the director of the Grand Pharm (China) and Mr. Shi Xiaofeng is the director and general manager of Grand Pharm (China).

Purchase, Sale or Redemption of Shares

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Employees and Remuneration Policy

As at 31 December 2013, the Group employed about 5,400 staff and workers in Hong Kong and the PRC (31 December 2012: about 4,800). 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.

Competing Interest

Save that Mr Liu Chengwei, the chairman and an executive director, who is director of some pharmaceutical companies in the PRC (including China Grand Enterprises Incorporation and Huadong Medicine Company Limited) and thus may have interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group, so far as the directors are aware of, no directors or the management shareholders of the Company (as defined in the Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

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 year ended 31 December 2013.

Independence of Independent Non-executive Directors

The Company has received from each independent non-executive Director an annual confirmation for independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors have confirmed that they are independent.

Code of Corporate Governance Practices

During the year ended 31 December 2013, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited.

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 audit committee has reviewed the annual result of the Group for the year ended 31 December 2013.

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.

Annual General Meeting

The annual general meeting of the shareholders of the Company will be held at the Unit 3302, The Centre, 99 Queen's Road Central, Hong Kong on Friday, 30 May 2014 and the notice of annual general meeting will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014 both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on 30 May 2014, the register of members of the Company will be closed. In order to be eligible to attend and vote at the annual general meeting of the Company, all share certificates with completed transfer forms either overleaf or separately must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 27 May 2014.

The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

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

Hong Kong, 28 March 2014

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Liu Chengwei, Mr. Hu Bo, Dr. Shao Yan and Dr. Zhang Ji and three independent non-executive directors, namely Ms. So Tosi Wan, Winnie, Mr. Lo Kai Lawrence and Dr. Pei Geng.

* *For identification purpose only.*