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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 2008

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 (the "Group") for the year ended 31 December 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	**2008** **HK$'000**	2007 HK$'000 (Restated)
Continuing operation			
Turnover	4	**269,882**	49,045
Cost of sales		**(160,136)**	(26,391)
Gross profit		**109,746**	22,654
Other income	5	**7,060**	12,139
Negative goodwill arising from acquisition of subsidiaries		**22,181**	—
Loss on disposal of subsidiaries		**(29,913)**	—
Distribution costs		**(61,059)**	(26,347)
Administrative expenses		**(56,234)**	(43,563)
Other operating expenses	6	**(163)**	(11,600)
Share of results of associates		**1,759**	660
Finance costs	7	**(16,064)**	(9,228)
Loss before tax	8	**(22,687)**	(55,285)
Income tax	9	**4**	2,205
Loss for the year from continuing operations		**(22,683)**	(53,080)
Discontinued operations	11		
Profit (Loss) for the year from discontinued operations		**1,966**	(805)
		(20,717)	(53,885)
Attributable to:			
— Equity holders of the Company		**(24,233)**	(52,030)
— Minority interests		**3,516**	(1,855)
		(20,717)	(53,885)
Loss per share from continuing and discontinued operations	12		
Basic *(HK cents)*		**(20.94)**	(48.51)
Loss per share from continuing operation			
Basic *(HK cents)*		**(21.12)**	(48.44)

* *For identification purpose only*

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**132,237**	35,441
Interests in leasehold land held for own use under operating leases		**201,467**	4,435
Investment properties		**—**	70,696
Interests in associates		**36,745**	4,340
Available-for-sale financial assets		**21,202**	—
Intangible assets		**1,579**	—
		393,230	114,912
Current assets			
Inventories		**64,295**	8,078
Trade and other receivables	*13*	**64,821**	8,308
Interests in leasehold land held for own use under operating leases — current portion		**5,044**	119
Bank balances and cash		**42,501**	67,282
		176,661	83,787
Current liabilities			
Trade and other payables	*14*	**142,240**	52,515
Bank loans — secured		**77,273**	92,307
Other loan — secured		**—**	14,423
Tax payable		**2,118**	—
		221,631	159,245
Net current liabilities		**(44,970)**	(75,458)
Total assets less current liabilities		**348,260**	39,454
Non-current liabilities			
Bank loan — secured		**18,181**	—
Deferred taxation		**44,683**	—
Amount due to holding company		**19,951**	13,408
Provision for staff welfare and bonus		**—**	67,889
Convertible bond		**48,296**	—
Other payable		**128,191**	—
		259,302	81,297
Net assets (liabilities)		**88,958**	(41,843)
Capital and reserves			
Share capital		**10,739**	10,739
Reserves		**(6,131)**	(53,562)
Equity attributable to equity holders of the Company		**4,608**	(42,823)
Minority interests		**84,350**	980
		88,958	(41,843)

NOTES

1. General information

China Grand Pharmaceutical and Healthcare Holdings Limited 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 Group is principally engaged in the manufacturing and supplying of pharmaceutical 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

In current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[3]

HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellation[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7	Financial instruments: Disclosures-Improving about Financial Instrument[2]
HKFRS 8	Operating segments[2]
HK (IFRIC) – INT 13	Customer Loyalty Programmes[4]
HK (IFRIC) – INT 15	Agreements for the Construction of Real Estates[2]
HK (IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operations[5]
HK (IFRIC) – INT 17	Distribution of Non-cash Assets to Owners[3]
HK (IFRIC) – INT 18	Transfers of Assets from Customers[3]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

[2] Effective for annual periods beginning on or after 1 January 2009

[3] Effective for annual periods beginning on or after 1 July 2009

[4] Effective for annual periods beginning on or after 1 July 2008

[5] Effective for annual periods beginning on or after 1 October 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

3. Basis of preparation

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$44,970,000 as at 31 December 2008.

In the opinion of the directors, the Group should be able to maintain itself as a going concern in the coming year by taking into consideration the proposed arrangements which include, but are not limited to, the following:

1. the directors anticipate that the Group will generate positive cash flows from its businesses; and

2. the directors have implemented measures to tighten cost controls over various distribution costs and administrative expenses and to improve the Group's cash flow position and operating results.

On the basis that the Group obtained the continuing availability of the banking facilities provided by its banks and the implementation of other measures with a view to improve its working capital position and net financial position, the directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from 31 December 2008. Accordingly, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. Turnover and segment information

(a) Business segments

For management purpose, the Group is currently engaged in manufacturing and sales of pharmaceutical and health products.

The Group was also involved in the properties holding for earning rental income and trading of securities. The operations was discontinued on 17 July 2008 subsequent to the disposal of subsidiaries *(note 11)*.

Segment information about these businesses is presented below:

For the year ended 31 December

	Continuing operation		Discontinued operations					
	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Trading of securities		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment Revenue								
Turnover	**267,882**	49,045	**—**	—	**—**	—	**269,882**	49,045
Other income	**7,060**	12,139	**4,108**	4,744	**—**	—	**11,168**	16,883
	276,942	61,184	**4,108**	4,744	**—**	—	**281,050**	65,928
Segment Result	**(5,818)**	(29,611)	**1,966**	22	**—**	(827)	**(3,852)**	(30,416)
Unallocated corporate expenses							**(805)**	(16,446)
Finance costs							**(16,064)**	(9,228)
Loss before tax							**(20,721)**	(56,090)
Income tax							**4**	2,205
Loss for the year							**(20,717)**	(53,885)
As at 31 December								
Assets								
Segment assets	**490,269**	52,564	**—**	70,696	**—**	—	**490,269**	123,260
Interests in associates	**36,745**	4,340	**—**	—	**—**	—	**36,745**	4,340
Unallocated corporate assets	**—**	—	**—**	—	**—**	—	**42,877**	71,099
Consolidated total assets	**527,014**	56,904	**—**	70,696	**—**	—	**569,891**	198,699
Liabilities								
Segment liabilities	**185,244**	207,039	**—**	—	**—**	—	**185,244**	207,039
Unallocated corporate liabilities	**—**	—	**—**	—	**—**	—	**295,689**	33,503
Total liabilities	**185,244**	207,039	**—**	—	**—**	—	**480,933**	240,542

Segment information about these businesses is presented below:

	Continuing operation		Discontinued operations					
	Manufacturing and sales of pharmaceutical and health products		Properties holding for earning rental income		Trading of securities		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
OTHER INFORMATION								
Capital expenditure	**16,836**	7,078	**—**	—	**—**	—	**16,836**	7,078
Depreciation and amortisation	**10,492**	5,351	**2,142**	4,722	**—**	—	**12,634**	10,073
Impairment loss on inventories	**528**	—	**—**	—	**—**	—	**528**	—
Impairment loss on trade and other receivable	**316**	—	**—**	—	**—**	—	**316**	—
Impairment loss on goodwill arising from acquisitions of subsidiaries	**—**	1,050	**—**	—	**—**	—	**—**	1,050
Impairment loss on intangible assets	**—**	10,200	**—**	—	**—**	—	**—**	10,200
Impairment loss on property, plant and equipment	**—**	1,107	**—**	—	**—**	—	**—**	1,107
Gain on disposal of property, plant and equipment	**408**	818	**—**	—	**—**	—	**408**	818
Gain on disposal of assets classified as held for sale	**—**	7,622	**—**	—	**—**	—	**—**	7,622
Negative goodwill arising from acquisition of subsidiaries	**(22,181)**	—	**—**	—	**—**	—	**(22,181)**	—
Loss on disposal of subsidiaries	**29,913**	—	**—**	—	**—**	—	**29,913**	—
Reversal of impairment loss on trade and other receivables	**(267)**	(2,567)	**—**	—	**—**	—	**(267)**	(2,567)
Loss on disposal of investments at fair value through profit or loss	**—**	—	**—**	—	**—**	(827)	**—**	(827)

(b) Geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of operations, and assets are attributed to the segments based on the location of the assets.

	PRC		America		Europe		Asia other than PRC		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue												
Turnover	**201,876**	49,045	**25,113**	—	**17,195**	—	**16,932**	—	**8,766**	—	**269,882**	49,045
Other income	**11,168**	16,883	**—**	—	**—**	—	**—**	—	**—**	—	**11,168**	16,883
	213,044	65,928	**25,113**	—	**17,195**	—	**16,932**	—	**8,766**	—	**281,050**	65,928
Segment assets	**569,891**	190,996	**—**	—	**—**	—	**—**	—	**—**	7,703	**569,891**	198,699
Capital expenditure	**16,836**	7,078	**—**	—	**—**	—	**—**	—	**—**	—	**16,836**	7,078

5. Other income

	Continuing operation		**Discontinued operations**			
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Rental income	**—**	—	**4,398**	7,790	**4,398**	7,790
Less: direct operating expenses that generated rental income during the year	**—**	—	**(290)**	(3,046)	**(290)**	(3,046)
	—	—	**4,108**	4,744	**4,108**	4,744
Sales of raw materials, scrap and other materials	**2,584**	—	**—**	—	**2,584**	—
Reversal of impairment loss on trade and other receivables	**267**	2,567	**—**	—	**267**	2,567
Gain on disposal of property, plant and equipment	**408**	818	**—**	—	**408**	818
Bank interest income	**950**	561	**—**	—	**950**	561
Government grant *(Note)*	**615**	—	**—**	—	**615**	—
Others	**2,236**	571	**—**	—	**2,236**	571
Gain on disposal of assets classified as held for sale	**—**	7,622	**—**	—	**—**	7,622
	7,060	12,139	**4,108**	4,744	**11,168**	16,883

Note: During the year ended 31 December 2008, government grants of approximately HK$615,000 have been received to subsidise the development and industrialisation of pharmaceutical products, and to encourage export sales in the PRC.

6. Other operating expenses

	2008	2007
	HK$'000	*HK$'000*
Amortisation of intangible assets	**163**	1,400
Impairment loss on intangible assets	**—**	10,200
	163	11,600

7. Finance costs

	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**6,438**	4,970
Interest on other loan wholly repayable within five years	**2,865**	4,258
Effective interest on convertible bond	**2,196**	—
Effective interest on other payable	**4,565**	—
	16,064	9,228

8. Loss before tax

	Continuing operation		Discontinued operations			
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Loss before tax is stated after charging:						
Staff costs (excluding directors' emoluments) comprises:						
— Wages and salaries	**29,914**	13,473	—	—	**29,914**	13,473
— Retirement benefits schemes contributions	**2,837**	565	—	—	**2,837**	565
	32,751	14,038	—	—	**32,751**	14,038
Auditors' remuneration						
— audit services	**830**	530	—	—	**830**	530
— non-audit services	**2,600**	—	—	—	**2,600**	—
Share of tax of associates	**148**	127	—	—	**148**	127
Cost of inventories recognised as an expense	**160,136**	26,391	—	—	**160,136**	26,391
Depreciation of property, plant and equipment	**7,689**	3,832	—	—	**7,689**	3,832
Depreciation of investment properties	—	—	**2,142**	4,722	**2,142**	4,722
Operating lease rentals in respect of land and buildings	**199**	566	—	—	**199**	566
Amortisation of interests in leasehold land held for own use under operating leases	**2,640**	119	—	—	**2,640**	119
Research and development expenses	—	3,118	—	—	—	3,118
Impairment loss on intangible assets (included in other operating expenses)	—	10,200	—	—	—	10,200
Impairment loss on goodwill arising from acquisitions of subsidiaries (included in administrative expenses)	—	1,050	—	—	—	1,050
Impairment loss on properties, plant and equipment (included in administrative expenses)	—	1,107	—	—	—	1,107
Gain on disposal of property, plant and machinery	**(408)**	(818)	—	—	**(408)**	(818)

9. Income tax

	2008	2007
	HK$'000	*HK$'000*
Current tax:		
PRC	**711**	—
Deferred tax		
Hong Kong	**(156)**	—
PRC	**(559)**	(2,205)
	(715)	(2,205)
	(4)	(2,205)

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.

The subsidiaries operate in the PRC during the year ended 31 December 2007 are subjected to PRC enterprise income tax of 15%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and became effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises to 25%. The tax rate of certain subsidiaries will change from 33% to 25% from 1 January 2008.

In addition, Wuhan Grand Pharmaceutical Group Company Limited, a subsidiary of the Group was exempted from PRC enterprise income tax for the two years starting from 2005 and is entitled to a 50% reduction on the PRC enterprise income tax for the following three years in accordance with Articles 8 of Income Tax Law of PRC for enterprises with Foreign Investment and Foreign Enterprises. All corresponding PRC enterprise income tax relating to the taxable profit of Wuhan Grand Pharmaceutical Group Company Limited during the year have been recognised in the consolidated income statement at a tax rate of 12.5%. All other PRC subsidiaries of the Group are subjected to the tax rate of 25%.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

The income tax for the year is reconciled to the loss before tax per the consolidated income statement as follows:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax		
Continuing operation	**(22,687)**	(55,285)
Discontinued operations	**1,966**	(805)
	(20,721)	(56,090)
Tax at the domestic income tax rate of 25% (2007: 15%)	**(5,180)**	(8,414)
Tax effect of share of profit of associates	**(148)**	(127)
Tax effect of expenses not deductible for tax purpose	**8,261**	203
Tax effect of income not taxable for tax purpose	**(5,868)**	(222)
Tax effect of deductible temporary differences	**715**	1,696
Income tax on concessionary rate	**(711)**	—
Tax effect of tax losses not recognised	**2,927**	4,869
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**—**	(210)
Tax credit for the year	**(4)**	(2,205)

The applicable tax rate of 25% (2007: 15%) is used as operations of the Group are substantially carried out by the subsidiaries in the PRC.

10. Dividend

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2007: nil).

11. Discontinued operations

On 28 April 2008, the Group entered into a sale agreement to dispose of a subsidiary, Bright Strong Profits Limited, which carried out property holding for earning rental income, trading of securities and manufacturing and sales of pharmaceutical and health products. The disposal was completed on 17 July 2008, on which date control of Bright Strong Profits Limited passed to the acquirer.

The profit (loss) for the year from the discontinued operations is analysed as follows:

	Period ended 17 July 2008 *HK$'000*	**Year ended 31 December 2007** *HK$'000*
Profit (loss) from property holding for earning rental income and trading of securities	1,966	(805)

The results of the discontinued operations for the period from 1 January 2008 to 17 July 2008, which have been included in the consolidated income statement, were as follows:

	Period ended 17 July 2008 *HK$'000*	**Year ended 31 December 2007** *HK$'000*
Other income	4,108	4,744
Loss on disposal of investment at fair value through profit or loss	—	(827)
Administrative expenses	(2,142)	(4,722)
	1,966	(805)

During the year ended 31 December 2008, the discontinued operations of property holding contributed approximately HK$1,966,000 (2007: HK$22,000) to the Group's net operating cash flows. The discontinued operations of trading securities did not contribute any cash flows for the year ended 31 December 2008 (2007: contributed approximately HK$9,692,000).

The carrying amounts of the assets for the discontinued operations at the date of disposal mainly represented the investment properties of Bright Strong Profits Limited.

12. Loss per share

	2008 ***HK cents***	2007 *HK cents*
Basic loss per share:		
Continuing operation	**(21.12)**	(48.44)
Discontinued operations	**0.18**	(0.07)
	(20.94)	(48.51)

(a) Basic loss per share

The calculation of basic loss per share from continuing operation is based on the loss attributable to equity holders of the Company of approximately HK$22,683,000 (2007: approximately HK$53,080,000) and on 1,073,934,000 ordinary shares in issue during both years ended 31 December 2008 and 2007.

The calculation of basic loss per share from discontinued operations is based on the profit attributable to equity holders of the Company of approximately HK$1,966,000 (2007: loss attributable to equity holders of the Company of approximately HK$805,000) and on 1,073,934,000 ordinary shares in issue during both years ended 31 December 2008 and 2007.

(b) Diluted loss per share

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bond since their exercise would result in a decrease in loss per share.

13. Trade and other receivables

	2008	2007
	HK$'000	*HK$'000*
Trade receivables		
— from third parties	**22,462**	270
— from an associate *(Note)*	**—**	6,165
Total trade receivables	**22,462**	6,435
Bills receivables	**25,276**	—
Other receivables, deposits and prepayments	**22,472**	21,539
Less: impairment loss	**(5,389)**	(19,666)
	64,821	8,308

Note: The balance with an associate was unsecured and interest-free.

The aging analysis of trade receivables is set out below:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	**19,879**	6,439
91 — 180 days	**2,033**	141
181 — 365 days	**558**	97
Over 365 days	**35,392**	3,137
	57,862	9,814
Less: accumulated impairment	**(35,400)**	(3,379)
	22,462	6,435

The normal credit period granted by the Group is 90 days.

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable balance directly.

Trade receivables amounted to approximately HK$19,879,000 as at 31 December 2008 (2007: HK$6,439,000) that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

(a) The movement in the impairment loss of trade receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**3,379**	4,180
Arising on acquisition of subsidiaries	**35,143**	—
Disposal of subsidiaries	**(3,379)**	—
Impairment loss recognised on receivables	**316**	—
Impairment loss reversed	**—**	(1,038)
Exchange realignment	**(59)**	237
Balance at end of the year	**35,400**	3,379

At each of the balance sheet date, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances.

(b) The movement in the impairment loss of other receivables is as follows:

	2008	2007
	HK$'000	*HK$'000*
Balance at beginning of the year	**19,666**	21,915
Arising on acquisition of subsidiaries	**4,087**	—
Disposal of subsidiaries	**(18,023)**	—
Impairment loss reversed	**(267)**	(1,529)
Amount written off as uncollectible	**—**	(2,018)
Exchange realignment	**(74)**	1,298
Balance at end of the year	**5,389**	19,666

(c) Ageing of trade receivables which are past due but not impaired

Included in the Group's trade receivable balances are balances with aggregate carrying amount of HK$2,583,000 (2007: nil) which was past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is approximately 150 days (2007: nil).

	2008	2007
	HK$'000	*HK$'000*
91 — 180 days	**2,033**	—
181 — 365 days	**550**	—
	2,583	—

14. Trade and other payables

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**41,367**	2,846
Accrued charges and other creditors	**100,873**	49,669
	142,240	52,515

The following is an aged analysis of trade payables at the balance sheet date:

	2008	2007
	HK$'000	*HK$'000*
0 to 90 days	**22,357**	2,846
Over 90 days	**19,010**	—
	41,367	2,846

The average credit period on purchases of goods is 90 days.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group completed the acquisition of Wuhan Grand Pharmaceutical Group Company Limited ("Wuhan Grand") and its subsidiaries and the disposal of Bright Strong Profits Limited ("Bright Strong") and its subsidiaries in July 2008. Details of the acquisition of Wuhan Grand and the disposal of Bright Strong are set out in the Company's circular dated 23 June 2008.

Wuhan Grand also completed the acquisition of Wuhan Wuda Hongyuan Company Limited ("Wuda Hongyuan") as its associated company in November 2008. Details of the acquisition of Wuda Hongyuan are set out in the Company's circular dated 13 November 2008.

For the year ended 31 December 2008, the Group's turnover was approximately HK$269,882,000 (2007: HK$49,045,000) which represents an increase of 450% as compared with last year. Gross profit of the Group for the year under review was HK$109,746,000 (2007: HK$22,654,000). The gross margin achieved during the year was about 41% (2007: 46%). The Group reported a consolidated loss attributable to equity holders of the Company of HK$24,233,000 as compared with a loss of HK$52,030,000 for last year. The results for the first half of 2008 mainly represented the results of Bright Strong and its subsidiaries while the second half mainly represented those of Wuhan Grand and its subsidiaries.

Acquisition of Wuhan Grand

Wuhan Grand is one of the largest manufacturers of Analgin in the PRC. Tirofiban, another product of Wuhan Grand, has recorded rapid growth in sales in recent years and it dominates the PRC hospital market as a key anti-platelet drug for the treatment of cardiovascular disease. Two other products, namely Adrenaline Bitartrate and Noradrenaline Bitartrate, were certified by Food and Drug Administration of USA and are exported to the USA market.

The post acquisition turnover and profits after tax from Wuhan Grand were approximately HK$236,585,000 and HK$12,659,000 respectively.

The consideration of the acquisition amounted to HK$200,000,000, which was satisfied as to HK$150,000,000 by the issuance of the promissory note and HK$50,000,000 by the issuance of the convertible bond to the vendor. During the year under review, the coupon and imputed interest expenses related to the convertible bond were approximately HK$1,250,000 and HK$946,000 respectively, while the imputed interest expense related to the promissory note was approximately HK$4,565,000.

The Group recorded a negative goodwill of approximately HK$22,181,000 as a result of the acquisition.

Disposal of Bright Strong

Turnover and loss after tax attributable to Bright Strong and its subsidiaries for the period from 1 January 2008 to the date of disposal were HK$33,297,000 and HK$11,714,000 respectively.

The Group incurred a loss of approximately HK$29,913,000 as a result of the disposal of Bright Strong.

PROSPECTS

Acquisition of Wuhan Grand enables the Group to enter the PRC pharmaceutical market which is expected to provide a constant growth in the coming years. The Group will also leverage on the management expertise of Wuhan Grand to further expand into the PRC market.

Following the disposal of Bright Strong, the Group is able to get rid of a loss making business which made up of most of the losses incurred by the Group in the past years.

The Group aims to become one of the largest pharmaceutical and healthcare manufacturers in the PRC through generic growth and acquisitions.

Financial resources and liquidity

As at 31 December 2008, the Group had current assets of HK$176,661,000 (31 December 2007: HK$83,787,000) and current liabilities of HK$221,631,000 (31 December 2007: HK$159,245,000). The current ratio was 0.80 at 31 December 2008 as compared with 0.53 at 31 December 2007.

The Group's cash and bank balances as at 31 December 2008 amounted to HK$42,501,000 (31 December 2007: HK$67,282,000), of which 1% were denominated in Hong Kong and United States Dollars and 99% in Renminbi.

As at 31 December 2008, the Group had outstanding bank loans of HK$95,454,000 (31 December 2007: HK$92,307,000), all of which were in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 6.23% to 7.84% (for the year ended 31 December 2007: 6.44% to 7.34%) per annum. These bank loans were pledged by properties of the Group with a net book value of HK$236,094,000 (31 December 2007: HK$88,650,000). The gearing ratio of the Group, measured by bank borrowings and other short term loans as a percentage of shareholders' equity, was 889% at 31 December 2008 as compared with 994% at 31 December 2007.

As at 31 December 2008, the convertible bond payable was approximately HK$48,296,000 which was made up of as to HK$46,100,000 being the liability portion of the convertible bond and HK$2,196,000 being the interest payable. Other payable for acquisition of subsidiaries (promissory note was subsequently issued on 24 February 2009) was approximately HK$128,191,000 which was made up of as to HK$123,626,000 being the fair value of the promissory note and HK$4,565,000 being the imputed interest payable. The coupon rate for the convertible bond and the promissory note is 5% per annum. The principal and the accrued interest for the convertible bond and the promissory note are repayable on 15 July 2010 and 23 February 2011 respectively.

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.

Employees and remuneration policy

As at 31 December 2008, the Group employed about 2,300 staff and workers in Hong Kong and the PRC. 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.

REVIEW OF AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, with the exception of Code provision A.2.1 which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The posts of chairman and chief executive officer were filled in July and October 2008 respectively.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

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 all directors, the directors have complied with the required standard set out in the Model Code during the year.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

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

Hong Kong, 16 March 2009

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