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 2009

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 2009 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operation			
Turnover	4	**545,435**	269,882
Cost of sales		**(295,341)**	(160,136)
Gross profit		**250,094**	109,746
Other income	5	**7,619**	7,060
Distribution costs		**(114,458)**	(61,059)
Administrative expenses		**(89,722)**	(56,234)
Other operating expenses	6	**(327)**	(163)
Discount on acquisition of subsidiaries		**—**	22,181
Loss on disposal of subsidiaries		**—**	(29,913)
Fair value gain on issuance of promissory note		**17,244**	—
Share of results of associates		**5,183**	1,759
Finance costs	7	**(26,847)**	(16,064)
Profit (loss) before tax	8	**48,786**	(22,687)
Income tax (charge) credit	9	**(6,873)**	4
Profit (loss) for the year from continuing operation		**41,913**	(22,683)

* *For identification purpose only*

	Notes	2009 HK$'000	2008 HK$'000
Discontinued operation	*11*		
Profit for the year from discontinued operation		**—**	1,966
Profit (loss) for the year		**41,913**	(20,717)
Other comprehensive income			
Exchange differences on translating foreign operations		**—**	(1,551)
Total comprehensive income (expense) for the year		**41,913**	(22,268)
Profit (loss) for the year attributable to:			
— Owners of the Company		**28,344**	(24,233)
— Minority interests		**13,569**	3,516
		41,913	(20,717)
Total comprehensive income (expense) attributable to:			
— Owners of the Company		**28,344**	(25,784)
— Minority interests		**13,569**	3,516
		41,913	(22,268)
Earnings (loss) per share from continuing and discontinued operations	*12*		
Basic *(HK cents)*		**2.64**	(2.26)
Diluted *(HK cents)*		**2.44**	(2.26)
Earnings (loss) per share from continuing operation	*12*		
Basic *(HK cents)*		**2.64**	(2.44)
Diluted *(HK cents)*		**2.44**	(2.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**137,977**	132,237
Interests in leasehold land held for own use under operating leases		**196,499**	201,467
Interests in associates		**44,882**	36,745
Available-for-sale financial assets		**20,791**	21,202
Intangible assets		**1,252**	1,579
		401,401	393,230
Current assets			
Inventories		**54,968**	64,295
Trade and other receivables	*13*	**85,696**	64,821
Interests in leasehold land held for own use under operating leases — current portion		**5,006**	5,044
Pledged bank deposits		**1,403**	4,574
Bank balances and cash		**60,227**	37,927
		207,300	176,661
Current liabilities			
Trade and other payables	*14*	**137,904**	142,240
Bank loans — secured		**69,468**	77,273
Convertible bond		**48,997**	—
Tax payable		**8,081**	2,118
		264,450	221,631
Net current liabilities		**(57,150)**	(44,970)
Total assets less current liabilities		**344,251**	348,260

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Non-current liabilities			
Bank loans — secured		**22,727**	18,181
Deferred taxation		**43,241**	44,683
Amount due to holding company		**22,229**	19,951
Convertible bond		**—**	48,296
Promissory note/other payable		**126,831**	128,191
		215,028	259,302
Net assets		**129,223**	88,958
Capital and reserves			
Share capital		**10,739**	10,739
Reserves		**22,213**	(6,131)
Equity attributable to owners of the Company		**32,952**	4,608
Minority interests		**96,271**	84,350
Shareholders' equity		**129,223**	88,958

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 Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sales of pharmaceutical and healthcare 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. 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$57,150,000 as at 31 December 2009.

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 of the followings:

1. subsequent to 31 December 2009, approximately HK$86,360,000 was received in cash from issuance of new ordinary shares to Outwit; and

2. subsequent to 31 December 2009, Outwit exercised the conversion right to convert the HK$50,000,000 convertible bond into 166,666,667 new ordinary shares.

Accordingly, the directors consider that the Group will have sufficient working capital to meet its financial obligations when they fall due for the next twelve months from 31 December 2009, and 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.

3. Application of new and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate`
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded Derivatives
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
HK (IFRIC) – INT 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has changed the basis of measurement of the Group's segment profit or loss (see note 4). However, the adoption of HKFRS 8 has not resulted in a re-designation of the Group's reportable segments.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	First-time Adoption of HKFRSs — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK (IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

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.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

4. Turnover and segment information

The Group has adopted HKFRS 8 *Operating Segments* with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14, *Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

For the year ended 31 December 2009, the Group is only engaged in manufacture and sales of pharmaceutical and healthcare products. And the chief executive officer, 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.

For the year ended 31 December 2008, the Group had two reportable segments — (1) manufacture and sales of pharmaceutical and healthcare products; and (2) properties holding for earning rental income. These segments were managed separately as they belonged to different industries and required different operating system and strategies. In July 2008, the Group disposed of the properties holding business. An analysis of the Group's segment information for the year ended 31 December 2008 is presented below:

	Continuing operation Manufacture and sales of pharmaceutical and healthcare products 2008 *HK$'000*	**Discontinued operation** Properties holding for earning rental income 2008 *HK$'000*	**Consolidated** 2008 *HK$'000*
Segment Revenue			
Turnover	269,882	—	269,882
Other income	7,060	4,108	11,168
	276,942	4,108	281,050
Segment result	(5,818)	1,966	(3,852)
Unallocated corporate expenses			(805)
Finance costs			(16,064)
Loss before tax			(20,721)
Income tax			4
Loss for the year			(20,717)
As at 31 December			
Assets			
Segment assets	490,269	—	490,269
Interests in associates	36,745	—	36,745
Unallocated corporate assets	—	—	42,877
Consolidated total assets	527,014	—	569,891
Liabilities			
Segment liabilities	185,244	—	185,244
Unallocated corporate liabilities	—	—	295,689
Total liabilities	185,244	—	480,933

Other segment information

Segment information about these businesses is presented below:

	Continuing operation Manufacture and sales of pharmaceutical and healthcare products 2008 *HK$'000*	Discontinued operation Properties holding for earning rental income 2008 *HK$'000*	Consolidated 2008 *HK$'000*
OTHER INFORMATION			
Capital expenditure	16,836	—	16,836
Depreciation and amortisation	10,492	2,142	12,634
Impairment loss on inventories	528	—	528
Impairment loss on trade and other receivables	316	—	316
Gain on disposal of property, plant and equipment	408	—	408
Discount on 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)	—	(267)

Geographical information

The Group's operations are located in the PRC (country of domicile), America, Europe and Asia.

The Group's revenue from continuing operation from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**422,256**	201,876	**401,401**	393,230
America	**49,325**	25,113	**—**	—
Europe	**25,111**	17,195	**—**	—
Asia other than PRC	**41,917**	16,932	**—**	—
Others	**6,826**	8,766	**—**	—
Total	**545,435**	269,882	**401,401**	393,230

Information about major customers

For the years ended 31 December 2009 and 2008, none of the Group's sales from continuing operation to a single customer amounted to 10% or more of the Group's total revenue.

5. Other income

	Continuing operation		Discontinued operation			
	2009	2008	**2009**	2008	**2009**	2008
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*
Rental income	**681**	—	**—**	4,398	**681**	4,398
Less: direct operating expenses that generated rental income during the year	**—**	—	**—**	(290)	**—**	(290)
	681	—		4,108	**681**	4,108
Sales of raw materials, scrap and other materials	**1,216**	2,584		—	**1,216**	2,584
Dividend income	**32**	—	**—**	—	**32**	—
Reversal of impairment loss on trade and other receivables	**631**	267	**—**	—	**631**	267
Gain on disposal of property, plant and equipment	**40**	408	**—**	—	**40**	408
Bank interest income	**421**	950	**—**	—	**421**	950
Government grants *(Note)*	**3,475**	615	**—**	—	**3,475**	615
Others	**1,123**	2,236	**—**	—	**1,123**	2,236
	7,619	7,060	**—**	4,108	**7,619**	11,168

Note: During the year 31 December 2009, government grants of approximately HK\$3,475,000 have been received to subsidise the development and industrialisation of pharmaceutical products in the PRC and to encourage export sales.

6. Other operating expenses

	2009	2008
	HK\$'000	*HK\$'000*
Amortisation of intangible assets	**327**	163

7. Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans wholly repayable within five years	**6,812**	6,438
Interest on other loan wholly repayable within five years	**—**	2,865
Interest on amount due to holding company	**2,000**	—
Effective interest on convertible bond	**1,951**	2,196
Effective interest on promissory note/other payable	**15,884**	4,565
Interest on discounted bills receivable with recourse	**200**	—
	26,847	16,064

8. Profit (loss) before tax

	Continuing operation		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit (loss) before tax is stated after charging (crediting):						
Staff costs (excluding directors' emoluments) comprises:						
— Wages and salaries	**45,309**	29,914	**—**	—	**45,309**	29,914
— Retirement benefits schemes contributions	**5,373**	2,837	**—**	—	**5,373**	2,837
	50,682	32,751	**—**	—	**50,682**	32,751
Auditors' remuneration						
— audit services	**550**	830	**—**	—	**550**	830
— non-audit services	**—**	2,600	**—**	—	**—**	2,600
Share of tax of associates	**1,256**	148	**—**	—	**1,256**	148
Cost of inventories recognised as an expense	**295,341**	160,136	**—**	—	**295,341**	160,136
Depreciation of property, plant and equipment	**11,282**	7,689	**—**	—	**11,282**	7,689
Depreciation of investment properties	**—**	—	**—**	2,142	**—**	2,142
Operating lease rentals in respect of land and buildings	**1,875**	199	**—**	—	**1,875**	199
Amortisation of interests in leasehold land held for own use under operating leases	**5,006**	2,640	**—**	—	**5,006**	2,640
Loss on disposal of available-for-sale financial assets	**187**	—	**—**	—	**187**	—
Gain on disposal of property, plant and equipment	**(40)**	(408)	**—**	—	**(40)**	(408)

9. Income tax

	2009	2008
	HK$'000	*HK$'000*
Current tax:		
PRC	**8,315**	711
Deferred tax	**(1,442)**	(715)
	6,873	(4)

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. Therefore, Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both years.

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. No change of tax rate is applied for those high and new technology enterprises ("HNTE").

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 statement of comprehensive income at a tax rate of 12.5%. All other PRC subsidiaries of the Group are subject to the tax rate of 25%.

According to the relevant PRC tax regulations, 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 a review on every three years by the relevant government bodies.

The income tax charge (credit) for the year is reconciled to the profit (loss) per the consolidated statement of comprehensive income as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) before tax		
Continuing operation	**48,786**	(22,687)
Tax at the domestic income tax rate of 25% (2008: 25%)	**12,196**	(5,672)
Tax effect of share of profit of associates	**(1,295)**	(148)
Tax effect of expenses not deductible for tax purpose	**10,177**	8,261
Tax effect of income not taxable for tax purpose	**(5,301)**	(5,376)
Tax effect of deductible temporary differences not recognised	**—**	715
Utilisation of deductible temporary differences previously not recognised	**(715)**	—
Income tax on concessionary rate	**(8,268)**	(711)
Tax effect of tax losses not recognised	**79**	2,927
Tax charge (credit) for the year	**6,873**	(4)

The applicable tax rate of 25% (2008: 25%) is used as operations of the Group are substantially carried out by the subsidiaries in the PRC.

No deferred tax asset has been recognised in respect of such unused tax losses due to the unpredictability of future profits streams. Included in the above are tax losses of HK$316,000 (2008: HK$11,708,000), which can only be carried forward for a maximum period of five years. Other losses may be carried forward indefinitely.

The Group also has deductible temporary differences of HK$2,860,000 as at 31 December 2008. No deferred tax asset has been recognised in respect of such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

10. Dividend

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period. (2008: nil).

11. Discontinued operation

On 28 April 2008, the Group entered into a sale agreement to dispose of a subsidiary, Bright Strong Profits Limited ("Bright Strong"), which carried out manufacture and sales of pharmaceutical and healthcare products and property holding for earning rental income. The profit from discontinued operation related to the property holding for earning rental income segment which the disposal completed on 17 July 2008, on which date control of Bright Strong passed to the acquirer.

The profit for the year ended 31 December 2008 from the discontinued operation is analysed as follows:

	2008
	HK$'000
Profit of property holding for earning rental income	1,966

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

	Period ended 17 July 2008
	HK$'000
Other income	4,108
Administrative expenses	(2,142)
Profit for the period	1,966

During the year ended 31 December 2008, the discontinued operation of property holding business contributed approximately HK$1,966,000 to the Group's net operating cash flows.

12. Earnings (loss) per share

For continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit (loss) for the year attributable to owners of the Company		
Continuing operation	**28,344**	(26,199)
Discontinued operation	**—**	1,966
	28,344	(24,233)
Effect of dilutive potential ordinary shares:		
Interest on convertible bond	**1,951**	2,196
Profit (loss) for the year for the purposes of diluted earnings (loss) per share	**30,295**	(22,037)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basis earnings (loss) per share	**1,073,934,000**	1,073,934,000
Effect of dilutive potential ordinary shares:		
Convertible bond	**166,666,667**	166,666,667
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,240,600,667**	1,240,600,667

From continuing operation

The calculation of basic earnings (loss) per share of continuing operation is based on the profit attributable to owners of the Company of approximately HK$28,344,000 (2008: loss attributable to owners of the Company of approximately HK$26,199,000) and on 1,073,934,000 ordinary shares in issue during both years ended 31 December 2009 and 2008.

From discontinued operation

Basic earnings per share for the discontinued operation for the year ended 31 December 2008 is 0.18 HK cents per share based on the profit attributable to owners of the Company of approximately HK$1,966,000 and 1,073,934,000 ordinary shares in issue during the year ended 31 December 2008.

Diluted loss per share

Diluted loss per share for the year ended 31 December 2008 is the same as the basic loss per share as the conversion of the Company's outstanding convertible bond would result in a decrease in basic loss per share.

13. Trade and other receivables

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**30,306**	22,462
Bills receivables	**21,821**	25,276
Discounted bills receivable	**17,195**	—
Other receivables, deposits and prepayments	**21,855**	22,472
Less: impairment loss on other receivables	**(5,481)**	(5,389)
	85,696	64,821

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. The bills receivables were all with maturity within 180 days from the reporting date.

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**29,252**	19,879
91 — 180 days	**2,999**	2,033
181 — 365 days	**39**	558
Over 365 days	**27,777**	35,392
	60,067	57,862
Less: accumulated impairment	**(29,761)**	(35,400)
	30,306	22,462

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$29,252,000 as at 31 December 2009 (2008: HK$19,879,000) 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:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**35,400**	3,379
Arising on acquisition of subsidiaries	**—**	35,143
Disposal of subsidiaries	**—**	(3,379)
Impairment losses recognised	**701**	316
Impairment losses reversed	**(589)**	—
Amount written off as uncollectible	**(5,751)**	—
Exchange realignment	**—**	(59)
Balance at end of the year	**29,761**	35,400

At the end of each reporting period, 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:

	2009	2008
	HK$'000	*HK$'000*
Balance at beginning of the year	**5,389**	19,666
Arising on acquisition of subsidiaries	**—**	4,087
Disposal of subsidiaries	**—**	(18,023)
Impairment losses reversed	**(42)**	(267)
Amount written off as uncollectible	**(3)**	—
Impairment losses recognised	**137**	—
Exchange realignment	**—**	(74)
Balance at end of the year	**5,481**	5,389

(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$4,417,000 (2008: 2,583,000) 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 100 days (2008: 150 days).

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**3,577**	—
91 — 180 days	**840**	2,033
181 — 365 days	**—**	550
	4,417	2,583

14. Trade and other payables

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**42,316**	41,367
Bills payables	**21,035**	37,302
Accrued charges and other creditors	**74,553**	63,571
	137,904	142,240

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting date.

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**24,624**	22,357
Over 90 days	**17,692**	19,010
	42,316	41,367

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

The bills payables are aged within six months from the end of the reporting period.

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

The Group completed the acquisition of 70.98% equity interests in Wuhan Grand Pharmaceutical Group Company Limited ("Wuhan Grand") and the disposal of Bright Strong Profits Limited ("Bright Strong") in July 2008. Wuhan Grand also completed the acquisition of 52% equity interests in Wuhan Grand Hoyo Company Limited ("Wuhan Hoyo") as its associated company in November 2008. For the year ended 31 December 2008, the first half year mainly reflected the results of Bright Strong while the second half year mainly represented the results of Wuhan Grand.

For the year ended 31 December 2009, the Group's turnover was approximately HK$545,435,000 (2008: HK$269,882,000) which represented an increase of 102% as compared with that of the previous year. Gross profit of the Group for the year under review was HK$250,094,000 (2008: HK$109,746,000). The gross margin achieved during the year was about 46% (2008: 41%). The Group reported a consolidated profit attributable to owners of the Company of HK$28,344,000 as compared with a loss of HK$24,233,000 for the previous year. The turnaround in performance of the Group was mainly attributable to the increased profit contributions from Wuhan Grand.

Operating results

For the year ended 31 December 2009, the Group's operating results attributable to the owners of the Company will be as follow after excluding the fair value gain and the effective interest expenses related to the convertible bond and the promissory note.

(in Hong Kong dollar thousands)	
After tax profit for the year	28,344
Less: Fair value gain arising from the issue of the promissory note	(17,244)
Add: Effective interests on the convertible bond and the promissory note	17,835
	28,935

Wuhan Grand

Wuhan Grand is mainly engaged in the development, production and sales of pharmaceutical preparations and raw material pharmaceuticals. For the year ended 31 December 2009, overall turnover increased by 10% when compared with that of the previous year. Turnover of pharmaceutical preparations recorded an increase of 22% while those for raw material pharmaceuticals recorded a slight drop of 3% when compared with that of the previous year.

Overall gross margin for the year ended 31 December 2009 was 46% (2008: 39%). Gross margin for pharmaceutical preparations was 57% (2008: 56%) while those for raw material pharmaceuticals was 31% (2008: 21%). The overall increase in gross margin was mainly attributable to the increase in sales of higher margin pharmaceutical preparations and the drop in costs of raw material pharmaceuticals.

Turnover, gross and net profit analysis of Wuhan Grand for the past three years were as follows:

(in RMB millions)	**2009**	2008	2007
Pharmaceutical preparations	**273**	223	205
Raw material pharmaceuticals	**207**	214	189
Turnover	**480**	437	394
Pharmaceutical preparations	**156**	125	105
Raw material pharmaceuticals	**65**	45	44
Gross profit	**221**	170	149
Net profit	**38**	28	20

For the year ended 31 December 2009, pharmaceutical preparations account for approximately 57% of the annual sales and approximately 71% of gross profit of Wuhan Grand. These products are mainly focus on cardiovascular, ophthalmic and antibiotic areas. Sales of Tirofiban, a key anti-platelet drug for the treatment of cardiovascular disease, has recorded a 67% growth in sales when compared with that of the previous year and it dominates the PRC hospital market. Pirenoxine sodium eye drop is our core eye product, while Enoxacin gluconate is our core antibiotic drug. Sales of these core products for the past three years were analysed as follows:

(in RMB millions)	**2009**	2008	2007
Tirofiban	**50**	30	20
Pirenoxine sodium eye drop	**23**	25	23
Enoxacin gluconate	**36**	32	32
Others	**164**	136	130
Turnover — Pharmaceutical preparations	**273**	223	205

Wuhan Grand is one of the largest manufacturers of Analgin and Metronidazole in the PRC. Two other products, namely Adrenaline bitartrate and Noradrenaline bitartrate, were certified by the Food and Drug Administration of USA and are exported to the USA market. For the year ended 31 December 2009, these raw material pharmaceuticals account for about 43% of the annual sales and approximately 29% of gross profit of Wuhan Grand. Sales of these core products for the past three years were analysed as follows:

(in RMB millions)	**2009**	2008	2007
Analgin	**141**	142	115
Metronidazole	**31**	35	29
Adrenaline bitartrate and Noradrenaline bitartrate	**18**	17	18
Others	**17**	20	27
Turnover — raw material paharmaceuticals	**207**	214	189

Wuhan Hoyo

Wuhan Hoyo is mainly engaged in the manufacture and sales of amino acid. Wuhan Grand acquired another 4% equity interest in Wuhan Hoyo during the year and it is now owned as to 56% by Wuhan Grand. For the year ended 31 December 2009, turnover increased by 21% when compared with that of the previous year. Gross margin for the year ended 31 December 2009 was 19% (2008: 14%). The increase in gross margin was mainly attributable to the increase in sales of higher margin acetyl cysteine during the year.

Turnover, gross and net profit of Wuhan Hoyo for the past three years were as follows:

(in RMB millions)	**2009**	2008	2007
L-cysteine HCI monohydrate	**36**	30	41
L-cysteine HCI anhydrous	**19**	16	17
Acetyl cysteine	**29**	17	11
Carboxymethyl-L-cysteine	**14**	12	8
Others	**33**	33	29
Turnover	**131**	108	106
Gross profit	**25**	15	11
Net profit	**9**	5	5

PROSPECTS

On 2 March 2010, Wuhan Grand entered into two acquisition agreements to acquire 75.47% equity interest in Hubei Fuchi Chemical and Pharmaceutical Company Limited ("Hubei Fuchi") and 100% equity interest in Hubei Ruizhu Pharmaceutical Company Limited ("Hubei Ruizhu") respectively. Hubei Fuchi is principally engaged in the production of taurine, calcium superphosphate and dimethyl sulfate, while Hubei Ruizhu is principally engaged in the production of ophthalmic gels and eye drops.

Wuhan Grand has received a notice from Wuhan City Government requesting it to relocate its existing production facilities to other places within the next 3 years. Wuhan City Government will compensate Wuhan Grand for the relocation. Although the exact amount of compensation has not been finalised, it will be in the range between RMB700,000,000 to RMB1,000,000,000. As the expenses related to the relocation have not yet been known, any profit resulted from the relocation cannot be ascertained now. Wuhan Grand would like to take this opportunity to reorganise itself into three main operations, namely cardiovascular drug, ophthalmic medicine and raw material pharmaceuticals. As the relocation process will take place in around 3 years, Wuhan Grand will plan ahead and take all practical steps to minimise any disruption to its businesses.

As certain upstream raw materials of the Group's raw material pharmaceuticals are currently supplied by Hubei Fuchi, acquisition of Hubei Fuchi will allow the Group to relocate and upgrade its production facilities of raw material pharmaceuticals and also moving one step upward to control the production of these raw materials. Besides, one of Hubei Fuchi's main products, taurine, can supplement the pharmaceutical product line of the Group. Certain raw material pharmaceuticals currently produced by Wuhan Grand will be transferred to Hubei Fuchi which will become the main production centre for raw material pharmaceuticals.

With the acquisition of Hubei Ruizhu, Wuhan Grand will transfer most of the prescribed ophthalmic medicines currently produced by it to Hubei Ruizhu which will become the main production centre for high-end ophthalmic medicines. Most of the ophthalmic products of Hubei Ruizhu are high-end products and can supplement the current eye product line of the Group.

The Group will fully capitalise on the opportunities arising from the PRC pharmaceutical and public health systems reform by expanding its product range and market share, enhancing its research and development capability and improving its sales network.

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

Financial resources and liquidity

As at 31 December 2009, the Group had current assets of HK$207,300,000 (31 December 2008: HK$176,661,000) and current liabilities of HK$264,450,000 (31 December 2008: HK$221,631,000). The current ratio was 0.78 at 31 December 2009 as compared with 0.80 at 31 December 2008.

The Group's cash and bank balances as at 31 December 2009 amounted to HK$60,227,000 (31 December 2008: HK$37,927,000), of which 1% were denominated in Hong Kong and United States Dollars and 99% in Renminbi.

As at 31 December 2009, the Group had outstanding bank loans of HK$92,195,000 (31 December 2008: HK$95,454,000), all of which were in Renminbi and granted by banks in the PRC. The interest rates charged by banks ranged from 5.31% to 5.58% (for the year ended 31 December 2008: 6.23% to 7.84%) per annum. These bank loans were pledged by properties of the Group with a net book value of HK$205,667,000 (31 December 2008: HK$236,094,000). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was 280% at 31 December 2009 as compared with 2,071% at 31 December 2008.

As at 31 December 2009, the convertible bond payable was approximately HK$48,997,000 (31 December 2008: HK$48,296,000). The promissory note payable was approximately HK$126,831,000 (31 December 2008: HK$128,191,000). The coupon rate for the convertible bond and the promissory note is 5% per annum. On 18 February 2010, Outwit Investments Limited opted to convert fully the HK$50,000,000 convertible bond into shares. The principal and the accrued interest for the promissory note are repayable on 23 February 2011.

On 18 February 2010, the Company completed the placing of 200,000,000 existing shares to investors and the subscription of 200,000,000 new shares by Outwit Investments Limited raising approximately HK$86,360,000, further improving the financial position of the Company.

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 2009, the Group employed about 2,400 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 2009.

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 as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange during the year ended 31 December 2009.

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 ended 31 December 2009.

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 ended 31 December 2009.

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

Hong Kong, 30 March 2010

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