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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 2015**

The board (the “**Board**”) of directors (the “**Directors**”) of China Grand Pharmaceutical and Healthcare Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results for the year ended 31 December 2015 of the Company and its subsidiaries (collectively the “**Group**”), together with comparative figures for the previous period.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	4	3,245,546	3,122,116
Cost of sales		(1,895,062)	(1,928,469)
Gross profit		1,350,484	1,193,647
Other revenue and income		138,325	117,192
Distribution costs		(641,662)	(608,155)
Administrative expenses		(431,575)	(372,436)
Other operating expenses	5	(12,181)	(13,804)
Share of results of associates		(5,673)	569
Finance costs	6	(157,155)	(114,092)
Profit before tax		240,563	202,921
Income tax expense	7	(40,156)	(27,198)
Profit for the year	8	200,407	175,723

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Other comprehensive loss, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translating foreign operations		<u>(64,759)</u>	<u>(12,020)</u>
Other comprehensive loss for the year, net of income tax		<u>(64,759)</u>	<u>(12,020)</u>
Total comprehensive income for the year, net of income tax		<u>135,648</u>	<u>163,703</u>
Profit for the year attributable to:			
- Owners of the Company		180,906	175,208
- Non-controlling interests		19,501	515
		<u>200,407</u>	<u>175,723</u>
Total comprehensive income/(loss) attributable to:			
- Owners of the Company		116,640	164,025
- Non-controlling interests		19,008	(322)
		<u>135,648</u>	<u>163,703</u>
Dividends	9	<u>-</u>	<u>-</u>
Earnings per share	10		
- Basic (HK cents)		<u>9.22</u>	<u>8.93</u>
- Diluted (HK cents)		<u>8.89</u>	<u>8.86</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,543,235	2,291,205
Prepaid lease payments		269,520	272,010
Interests in associates		224,520	6,332
Available-for-sale financial assets		97,332	39,844
Deposits for acquisition of non-current assets		7,592	5,018
Goodwill		380,589	124,682
Intangible assets		651,305	68,454
Deferred tax assets		1,244	1,294
Prepayments		37,743	22,358
Loan receivables		14,414	26,250
		<u>4,227,494</u>	<u>2,857,447</u>
Current assets			
Financial asset at fair value through profit or loss		1,201	50,000
Inventories		621,702	516,565
Trade and other receivables	<i>11</i>	1,048,763	981,749
Loan receivables		33,632	23,750
Prepaid lease payments		7,947	6,631
Pledged bank deposits		38,659	94,138
Cash and cash equivalents		653,987	460,401
		<u>2,405,891</u>	<u>2,133,234</u>
Current liabilities			
Trade and other payables	<i>12</i>	1,181,915	1,121,522
Bank borrowings		1,962,484	1,083,584
Bank overdraft		-	12,457
Obligations under finance leases		43,616	5,733
Income tax payable		60,744	49,510
		<u>3,248,759</u>	<u>2,272,806</u>
Net current liabilities		<u>(842,868)</u>	<u>(139,572)</u>
Total assets less current liabilities		<u>3,384,626</u>	<u>2,717,875</u>
Non-current liabilities			
Bank borrowings		762,136	420,000
Convertible bonds		258,629	245,659
Deferred tax liabilities		143,877	58,976
Amount due to holding company		23,057	21,866
Deferred income		634,344	661,014
Obligations under finance leases		158,244	1,993
		<u>1,980,287</u>	<u>1,409,508</u>
Net assets		<u>1,404,339</u>	<u>1,308,367</u>

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
Capital and reserves attributable to owners of the Company			
Share capital		19,620	19,620
Reserves		1,140,048	1,093,791
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,159,668	1,113,411
Non-controlling interests		244,671	194,956
		<hr/>	<hr/>
Total equity		1,404,339	1,308,367
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. GENERAL INFORMATION

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 Group is 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\$**”), which is the same as functional currency of the Company, and the functional currency of most of the subsidiaries in Renminbi (“**RMB**”). The Board 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 applied for the first time, the following new standard, amendments and interpretations (“**new and revised HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which are effective for the Group’s financial year beginning on 1 January 2015. A summary of the new and revised HKFRSs is set out as below:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above new and revised 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.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap.622) during the reporting period. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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)	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 10, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and amendments to HKFRS 9, HKFRS7 and HKAS 39 ⁴
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an investor and its Associate or Joint Venture ⁴
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation ¹
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ²
HKAS 1 (Amendments)	Disclosure Initiative ¹
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ¹

HKAS 16 and HKAS 41
(Amendments)
HKAS 27

Agriculture: Bearer Plants¹
Equity Method in Separate Financial Statements¹

- ¹ Effective for first annual HKFRS financial statements beginning on or 1 January 2016, with earlier application permitted.
- ² Effective for first annual HKFRS financial statements beginning on or 1 January 2018, with earlier application permitted.
- ³ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group.
- ⁴ No mandatory effective date is determined but is available for early adoption.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in the note 3 to the 2015 audited consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules 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 in the note 3 to the 2015 audited consolidated financial statements. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK\$842,868,000 (2014:HK\$139,572,000) as at 31 December 2015. The Directors have taken the following factors to consider the future liquidity which include, but not limited to, the followings:

i. Alternative sources of external funding

The Company could allot and issue new shares not exceed 20% of the issued shares to acquire an external funding.

ii. Attainment of profitable and positive cash flow operations

The Directors have reviewed the forecast and considered the Group will have positive net cash inflow in the coming 12 months.

iii. Necessary facilities

The Group is in the process of negotiating with its bankers for the renewal and additional of bank facilities, and the restructuring of bank loan combination with an aim to transform the short-term bank loans to long-term bank loans, in order to meet the Group's working capital and financial requirements in the next 12 months.

iv. Financial support and amount due to holding company

Outwit has agreed to provide the financial support for not less than 12 months from the year ended 31 December 2015 and also agreed not to request the repayment for the amount due of approximately HK\$23,057,000 in the following 12 months.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

For the year ended 31 December 2015, the Group is principally engaged in manufacture and sales of pharmaceutical, healthcare and chemical products. The Board, being the chief operating decision maker of the Group, reviews the operating results of the Group as a whole to make decisions about 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 revenue 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	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
The PRC	2,426,582	2,232,025	3,894,527	2,816,309
America	209,290	403,456	-	-
Europe	290,972	254,107	-	-
Asia other than the PRC	304,397	232,417	-	-
Others	14,305	111	-	-
Total	<u>3,245,546</u>	<u>3,122,116</u>	<u>3,894,527</u>	<u>2,816,309</u>

Note: Non-current assets excluded available-for-sale financial assets, deferred tax assets and a part of interests in associates.

Information about major customers

For the years ended 31 December 2015 and 2014, 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

	2015 HK\$'000	2014 HK\$'000
Amortisation of intangible assets	12,181	12,422
Written-off of available-for sale financial assets	-	418
Loss on sales and lease back transaction	-	964
	<u>12,181</u>	<u>13,804</u>

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings:		
- wholly repayable within five years	121,350	108,025
- not wholly repayable within five years	1,908	-
Interest on bank overdraft	-	285
Interest on convertible bonds	22,870	4,639
Interest on amount due to holding company	462	465
Interest on finance lease	10,565	678
	<u>157,155</u>	<u>114,092</u>

7. INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
The PRC Enterprise Income Tax	47,542	31,657
Deferred tax	<u>(7,386)</u>	<u>(4,459)</u>
	<u>40,156</u>	<u>27,198</u>

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Company did not have any assessable profits subject to Hong Kong profits tax at the rate of 16.5% (2014: 16.5%). Provision on profits assessable elsewhere has been calculated at the rate of tax prevailing to the countries to which the Group operates, based on existing legislation, interpretations, and practices in respect thereof.

Under the Law of the PRC 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 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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before tax is stated after charging:		
Depreciation of property, plant and equipment	179,197	158,812
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	8,102	6,675
Amortisation of intangible assets (included in other operating expenses)	<u>12,181</u>	<u>12,422</u>
Total depreciation and amortisation	<u>199,480</u>	<u>177,909</u>
Share of tax of associates	<u>691</u>	<u>158</u>
Cumulative gain on disposal of available-for-sale financial assets	<u>-</u>	<u>2,272</u>

9. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Earnings for the purpose of basic earnings per share calculation	180,906	175,208
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds (net of tax)	19,096	3,874
- Deferred tax arising from convertible bonds	(3,774)	(766)
	<u>196,228</u>	<u>178,316</u>
Earnings for the purpose of diluted earnings per share calculation	<u>196,228</u>	<u>178,316</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	1,962,041	1,962,041
Effect of dilutive potential ordinary shares:		
- Convertible bonds	244,444	50,898
	<u>2,206,485</u>	<u>2,012,939</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	<u>2,206,485</u>	<u>2,012,939</u>

The Company's outstanding convertible bonds were included in the calculation of diluted earnings per share because the effect of the Company's outstanding convertible bonds were diluted.

11. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables, net	465,703	349,547
Bills receivables	289,624	314,940
Other receivables, deposits and prepayments	315,029	341,557
Less: impairment loss on other receivables	(21,593)	(24,295)
	<u>1,048,763</u>	<u>981,749</u>

The Group generally allows a credit period of 30 – 90 days to its trade customers. The Group does not hold any collaterals over the trade and other receivables. 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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	412,012	324,148
91-180 days	40,645	28,951
181-365 days	18,954	8,305
Over 365 days	19,026	20,387
	<u>490,637</u>	<u>381,791</u>
Less: accumulated impairment loss	<u>(24,934)</u>	<u>(32,244)</u>
	<u>465,703</u>	<u>349,547</u>

12. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	357,921	290,609
Bills payables	295,022	364,721
Accrued expenses and other payables	528,972	466,192
	<u>1,181,915</u>	<u>1,121,522</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	266,619	212,334
Over 90 days	91,302	78,275
	<u>357,921</u>	<u>290,609</u>

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 consolidated financial statements which indicate that the Group had net current liabilities of approximately HK\$842,868,000 as at 31 December 2015. These conditions, along with other matters as set forth in note 3 to the consolidated 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, specialised pharmaceutical raw materials and healthcare products. The core products of the Group mainly cover three areas including emergency cardiovascular medicines, Eye, Nose & Throat (the “**ENT**”) products and those specialized pharmaceutical raw materials which produced with advanced biotechnology, including steroid hormones, amino acids and antibacterial and antiviral pharmaceutical intermediates and specialized raw materials.

The Group’s strategic objectives are being a leader in the field of the ENT treatment in the PRC and also being a pioneer in the field of Cardiovascular and Cerebrovascular in term of the advanced technology. The Group always focuses on developing potential advanced technology and innovative pharmaceutical, together with continuously exploring more international markets. In July and November in 2015, the Group entered into two agreements with 寧波鼎暉錦繡投資管理有限公司 (Ningbo CDH Jinxiu Investment Management Company Limited[#]) (the “**Ningbo CDH**”) to acquire 67.0% and 30.0% equity interest respectively in 北京九和藥業有限公司 (Beijing Jiu He Pharmaceutical Limited[#]) (the “**Jiu He**”). Jiu He’s main products have a leading position in the oral administration treatments of chronic rhinosinusitis, acute rhinosinusitis and the respiratory diseases field, its products in dealing with disease preventions and treatments on PM2.5 related illnesses have a broad market opportunity and are listed on the national reimbursement drugs list of more than 20 provinces and/or cities in the PRC. It is anticipated Jiu He’s products will become one of the Group’s core products in the future.

In addition, the Group had acquired 73.0% equity interest in Cardionovum GmbH(the “**Cardionovum**”)in April 2015 through Cardionovum Holding Co., Limited (the “**Hong Kong JV**”) which the Group holds 33.3% equity interest. Cardionovum mainly engaged in the development, production and distribution of Cardiovascular interventional medical devices and currently mainly operating in the European market. The Group together with the Hong Kong JV had setup a new company in the PRC which responsible for establishing a production platform and distribution network in order to introduce Cardionovum’s advanced products and technology for the treatment of coronary artery disease, peripheral artery disease and haemodialysis induced stenosis to the PRC market. It is anticipated it can enlarge the Group’s products range in the field of the cerebro-cardiovascular medical devices and provide more advanced pharmaceutical products for patients.

In the past few years, the Group not only focused on developing new products and enlarging the number of self-core products, but also introduced a variety of products with great potential through the means of acquisitions and joint venture, which may enable the Group’s products tend to be more diversified in the area of core therapeutic. In January 2015, the Group completed the acquisition of 73.3% equity interest in 天津晶明新技術開發有限公司 (Tianjin Jingming New Technology Development Co., Ltd.[#]) (the “**Tianjin Jingming**”). Tianjin Jingming is a company with international advanced technology which specializing in developing and distributing ophthalmic medical devices and surgical supplies. For the year ended 31 December 2015, the total revenue contributed to the Group was approximately RMB27.5 million.

During the current review period, the Group completed several new GMP certification processes, and those products have commenced contributing to the Group. Under the circumstance of gradually replacing the aged products and the intensive competitions caused by the market price down turn of certain individual medicines, the Group by the use of continuous acquisition and self-development to develop more new products and actively explore more new markets in order to maintain steady profit growth and competitive advantage.

Since 6 August 2015, the board lot size of the Group’s ordinary shares (the “**Shares**”) listed in the Stock Exchange of Hong Kong Limited was changed from 20,000 shares to 4,000 shares. The change in the board lot size will not result in any changes in the relative rights of the holders of the Shares and is expected to improve the trading liquidity in the Shares and facilitate the trading in the Shares.

Revenue

For the year ended 31 December 2015, the Group recorded a revenue amount of approximately HK\$3,245.55 million, which increased by approximately 4.0% as compared with the same period of 2014. The main contributors were those new acquired companies such as Jiu He, commenced to provide contribution to the Group and also certain products have gradually restarted the production after

completing the new version GMP certification. In the meantime, thanks for the Group shifting the sales focus to those high-end pharmaceutical preparations including ENT and Cardiovascular emergency medicines and biotechnological raw materials pharmaceutical, the average gross profit margin of the Group continuously increased and recorded at approximately 41.6%, which increased by approximately 3.4% as compared with the same period of 2014.

Pharmaceutical Preparations

The pharmaceutical preparations are the major sources of profit of the Group, which the core products are cerebro-cardiovascular, ENT medicines, antibiotics and antibacterial and analgesic and antipyretic. For the year ended 31 December 2015, the revenue amount of pharmaceutical preparations was approximately RMB1,136.09 million and increased by approximately 17.5% as compared with the same period of last year.

- Cerebro-cardiovascular medicines

The cerebro-cardiovascular medicines are the core product and the business growth engine of the Group. The investments in exploring the market and organizing the training campaign in earlier stage started to provide returns to the Group, as at 31 December 2015, the revenue of the Group's cerebro-cardiovascular medicines products was approximately RMB417.47 million, increased by approximately 5.8% as compared with the same period of last year. In which, mainly used as an emergency purpose product Noradrenaline Bitartrate injection recorded at approximately RMB123.80 million in revenue, increased by approximately 21.0% as compared with the same period of last year. Another key product Methoxamine Hydrochloride Injection which was used for surgical emergency purpose also contributed approximately RMB33.71 million in revenue, increased by approximately 88.6% compared to 2014. It is anticipated that certain cerebro-cardiovascular medicines after completing the new GMP version certification will become a new business growth engine of the Group.

- ENT medicines

ENT medicines will become one of the Group's key development projects. During the current fiscal year, the total revenue of ENT medicines were approximately RMB400.54 million, increased by approximately 71.4% as compared with the same period of 2014. The Ophthalmic medicines of the Group still recorded a rapid growth with the revenue of approximately RMB276.37 million, which increased by approximately 29.8% compared to 2014. In addition, the Group had completed the acquisition of Jiu He's equity interest in the second half of 2015, its core product Qie Nuo is an exclusive product that used in the treatments of chronic rhinosinusitis, acute rhinosinusitis and respiratory diseases, and listed in more than 20 Province-level Reimbursement Drug Lists in the PRC, which has a leading position in the PRC market and is one of the Group's core innovative products. After the completion of Jiu He's acquisition, the revenue of Jiu He's products brought in approximately RMB100 million to the Group.

Pharmaceutical Intermediates

The Group's another key products, pharmaceutical intermediates and the specialised pharmaceutical raw materials which produced with advanced biotechnology, will be another key selling area in the future, mainly including Amino Acids products. For the twelve months ended 31 December 2015, the revenue of pharmaceutical intermediates was approximately RMB612.04 million, which recorded at approximately RMB658.22 million in the same period of 2014. The difference mainly contributed by the market adjustment on the price of pharmaceutical raw materials together with the shifting of the key selling area.

- Amino acids products

In 2015, the revenue amount of the amino acids products of the Group was approximately RMB330.72 million, which increased by approximately 7.1% as compared with the same period of last year. The major product N-acetyl-L-cysteine recorded a steady growth and its revenue amount recorded at approximately RMB70.77 million, increased by approximately 54.1%. And the revenue of another key product L-cysteine hydrochloride was increased by approximately RMB9.29 million to approximately RMB96.31 million. With the fact that the continuous enhancement in the production technique, it is anticipated the Group can launch more products in the high-end market and enhance the general acceptability of its products.

Steroid Hormones and its Intermediates

In 2015, the Group obtained the GMP certifications of two new products Betamethasone Dipropionate and Betamethasone Valerate, and also completed the renewal of Betamethasone's GMP certification. All these three products were launched in the market in the second half of 2015, and will provide the contribution to the Group soon. In 2015, the revenue of the Group's Steroid Hormones and its intermediates was approximately RMB242.03 million, which recorded at approximately RMB267.96 million in 2014.

Other Products

Apart from manufacturing the pharmaceutical preparations and pharmaceutical intermediates, the Group also engaged in manufacturing and sale of medical devices, healthcare and chemical products, including ophthalmic medical devices and surgical supplies, Taurine, Calcium Superphosphate and Dimethyl Sulfate and the bio-pesticides and bio-feed additives products, etc, which already have certain market shares and are well recognized by customers. In 2015, the related products' revenue was approximately RMB639.53 million, increased by approximately 21.2% as compared with the same period of last year.

- Taurine

Benefiting the continuous technical and production improvements to enhance the products quality and efficiency, together with the growth in export sales, the Group being one of the largest Taurine suppliers, its Taurine products continuously recorded a steady growth. During the current year, the revenue of Taurine was approximately RMB223.36 million, increased by approximately 17.2% as compared with the same period of last year.

- Medical Devices

Tianjin Jingming joined the Group in 2015 as a new member, being a momentous event of the Group's ENT medical devices sector, its key products are ophthalmic medical devices and surgical supplies which including the PRC exclusive products Medical Sodium Hyaluronate Gel and Schirmer Strip, etc. In 2015, Tianjin Jingming contributed approximately RMB27.49 million in revenue to the Group and it is anticipated after it fully integrated into the Group's sales network, the contribution will be further enhanced.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the year were approximately HK\$641.66 million and HK\$431.58 million respectively, while it were approximately HK\$608.16 million and HK\$372.44 million respectively in the same period of last year. The increment of these two expenses were mainly due to the Group's marketing campaign on shifting the sales focus point and also strengthen the investment in research and development.

Finance Costs

For the year ended 31 December 2015, the finance costs of the Group were approximately HK\$157.16 million, while they were approximately HK\$114.09 million during the same period of 2014. The increment was mainly due to the increase of bank loans to cope with the Group expansion and short term working capital needs.

Outlook and Future Prospects

According to CMH's recently announced data, China pharmaceutical industry's total terminal market sales in 2015 amounted to RMB1.3775 trillion, representing a year-on-year growth of 7.6%. When compared to 2014, this growth rate showed a decrease of 5.6%, and was the first time recording under 10% in the past 15 years.

The reasons for the pharmaceutical industry's growth rate slowdown, apart from the adverse effect presented by the slowdown of GDP growth in China's overall economic development, are policy and market pressures that have been brought to bear on the industry. The "two reductions and three controls" policy against the backdrop of Medicare Cost Control includes price reduction through local bidding activities, reduction of hospital administered drug proportions, control of the use of adjuvants, control of the use of patented traditional Chinese medicinal injectants and control of the quantities of anti-biotics

in applications.

The PRC market is one where pharmaceutical products are principally generic drugs, and there exists homogeneous competition as well as relenting quality. In order to address this problem, the CFDA has requested that generic drugs be evaluated for quality and efficacy consistency, and those that do not meet standards by the end of 2018 will have their production approvals revoked.

China's pharmaceutical market in the next few years will be met with earth-shattering changes, in the process of which both crisis and opportunity will present themselves to pharmaceutical enterprises.

There were important reforms in the international pharmaceutical market in the past year. Some blockbuster drug patents of international renowned pharmaceutical companies will soon expire, and the FDA of the United States will soon activate generic drug price reviews. Both will have significant impact on the international pharmaceutical market. Against this backdrop, 2015 saw numerous and continual major organizational restructuring, and mergers and acquisitions, among which was the largest in the history of the world's pharmaceutical industry, that of Pfizer investing USD160 billion in its acquisition of Allergan, and forging the world's largest pharmaceutical empire.

This Group took preemptive measures in the past year to address changes in China's pharmaceutical market, and started early planning and action. First, regarding professionalism cultivation and live operational training of personnel, the Group adopted the mode of the training camp of China Grand Pharmaceutical and Healthcare Holdings Limited, and cultivated and trained a senior management team that now possess actual operational skills, professionalism, high morality and leadership skills; second, regarding production safety and environmental governance system, investment and building of the relevant facilities are now completed; third, regarding product quality, preparatory work was started to meet the upcoming challenge of the generic drugs consistency evaluation; fourth, regarding product research and evaluation, investment was increased on independent product research and development in such core therapeutic areas as the ophthalmology/otorhinolaryngology and cardiovascular divisions, while the Group's cooperation with the Chinese Academy of Medical Sciences in orphan drugs R&D projects is already in full swing; fifth, regarding merger and acquisition and restructuring, the Group successfully completed the acquisition of Jiu He and Cardionovum, achieving preliminary results in its strategies in the areas of innovative medicines, blockbuster drugs and its international development.

Faced with the numerous pressures and challenges presented by China's pharmaceutical market in the near future, the Group will proactively do its own part to accomplish the following tasks: first, the Group will plan in earnest and proactively prepare bidding activities of the products in various parts of China; second, the Group will expedite the preparation and implementation of the generic drugs consistency evaluation; third, the Group will enhance bidding management standards and market penetration of its drugs and medical instruments, and improve and strengthen the sales capabilities of its sales and marketing network; fourth, the Group will continue to adopt reinforcement and synergy strategies in the core therapeutic areas, enriching product mix through its own R&D, and product or asset acquisition, placing special emphasis on innovative and blockbuster product investment and acquisition activities; fifth, the Group will improve its visibility, reputation and market influence of corporate products brands; sixth, conforming to the trend of the globalization of the world's pharmaceutical industry, and its structural reforms, the Group will focus on and actively participate in the investment, and merger and acquisition activities of the global pharmaceutical market.

The Group has already completed the first stage of the construction of foundation for industry development, and is entering the second phase of high speed development. It is anticipated that within the next three years, the Group revenue and profit will significantly improve, and will have the potential to be listed among the top 20 Chinese pharmaceutical enterprises.

Financial Resources and Liquidity

As at 31 December 2015, the Group had current assets of HK\$2,405.89 million (31 December 2014: HK\$2,133.23 million) and current liabilities of HK\$3,248.76 million (31 December 2014: HK\$2,272.81 million). The current ratio was 0.74 at 31 December 2015 as compared with 0.94 at 31 December 2014.

The Group's cash and bank balances as at 31 December 2015 amounted to HK\$653.99 million (31 December 2014: HK\$460.40 million), of which approximately 3.7% were denominated in Hong Kong, United States Dollars and Euro and 96.3% in Renminbi.

As at 31 December 2015, the Group had outstanding bank loans of approximately HK\$2,724.62 million (31 December 2014: HK\$1,503.58 million) and bank overdraft recorded at nil (31 December 2014: HK\$12.46 million). Included in the bank loans, there were bank loans of approximately HK\$567.14 million were denominated in USD. All other bank loans are denominated in RMB and granted by banks in the PRC and Hong Kong. The interest rates charged by banks ranged from 0.83% to 7.45% (31 December 2014: 1.92% to 7.80%) per annum, in which approximately HK\$564.54 million 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\$364.73 million (31 December 2014: HK\$118.44 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was 234.9% at 31 December 2015 as compared with 135% at 31 December 2014.

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 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 2015, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

On 21 April 2015, the Company entered into an agreement with 上海沐翼投資管理合夥企業(有限合伙) (Shanghai Muyi Investment Management Partnership (Limited Partners)[#]) and agreed to acquire approximately 33.3% equity interest in the Hong Kong JV at the total consideration of US\$24.30 million. According to the relevant agreements, Hong Kong JV will acquire 73.0% equity interest in Cardionovum at the total consideration of US\$73.00 million. After the completion of the above two transactions, Hong Kong JV and Cardionovum will become associates of the Group. Furthermore, the Group will establish a new company in the PRC with Hong Kong JV. The registered capital is US\$1.00 million in which the Group will subscribed 67.0%. It will then become an indirect non-wholly owned subsidiary of the Company. The transactions of subscribing the Hong Kong JV and Cardionovum together with the establishment of a new company in the PRC have been completed during 2015.

On 17 July 2015 and 27 November 2015, the Group entered into subscription agreements with Ningbo CDH, and agreed to acquire 67.0% and 30.0% equity interest in Jiu He at the cash consideration of RMB452.00 million and RMB210.08 million respectively. These two transactions have been completed in July 2015 and December 2015 respectively.

Significant Investment

There was no other significant investment during the year.

Contingent Liabilities

As at 31 December 2015, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

No subsequent events occurred after 31 December 2015, which may have a significant effect, on the assets and liabilities or future operations of the Group.

Purchase, Sale or Redemption of Shares

During the year ended 31 December 2015, 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 2015, the Group employed about 6,117 staff and workers in Hong Kong and the PRC (31 December 2014: about 5,400). The Group remunerates its employees based on their

performance and experience and their remuneration package will be reviewed periodically by the management. Other employee benefits include medical insurance, retirement scheme, appropriate training program and share option scheme.

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 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.

Directors' Interests in Transaction, Arrangements or Contracts

No transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the company had a material interest, subsisted at the end of the year or at any time during the year.

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 2015.

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

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2015.

Audit Committee

The Company has established the audit committee for the purpose of monitoring the integrity of the financial statements and overseeing the financial reporting process and the internal control system of the Group. Currently, the audit committee is chaired by independent non-executive director Ms. So Tosi Wan, Winnie and other members include the two independent non-executive directors Mr. Lo Kai Lawrence and Dr. Pei Geng.

The Group’s audited annual financial results for the year ended 31 December 2015 has been reviewed by the audit committee.

Remuneration Committee

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

Nomination Committee

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

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, 27 May 2016 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, 25 May 2016 to Friday, 27 May 2016 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 27 May 2016. 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 4:30pm on Tuesday, 24 May 2016.

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

Hong Kong, 30 March 2016

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.*

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).