**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 2017

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 2017 of the Company and its subsidiaries (collectively the "**Group**"), together with comparative figures for the previous period as follows:

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

*For the year ended 31 December 2017*

| | *Notes* | **2017** *HK$'000* | 2016 *HK$'000* |
|---|---|---|---|
| **Revenue** | *4* | **4,770,850** | 3,696,164 |
| Cost of sales | | **(2,291,353)** | (1,963,736) |
| **Gross profit** | | **2,479,497** | 1,732,428 |
| Other revenue and income | | **135,346** | 102,499 |
| Distribution costs | | **(1,325,289)** | (902,724) |
| Administrative expenses | | **(541,256)** | (421,486) |
| Other operating expenses | *5* | **(13,141)** | (12,125) |
| Share of results of associates | | **(1,791)** | (2,950) |
| Finance costs | *6* | **(174,427)** | (181,678) |
| **Profit before tax** | | **558,939** | 313,964 |
| Income tax expense | *7* | **(73,181)** | (44,602) |
| **Profit for the year** | *8* | **485,758** | 269,362 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Other comprehensive income/(loss), net of income tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Share of other comprehensive income/(loss) of associates | | **497** | (429) |
| Exchange difference on translating foreign operations | | **151,750** | (133,355) |
| Other comprehensive income/(loss) for the year, net of income tax | | **152,247** | (133,784) |
| **Total comprehensive income for the year, net of income tax** | | **638,005** | 135,578 |
| **Profit for the year attributable to:** | | | |
| - Owners of the Company | | **460,811** | 269,143 |
| - Non-controlling interests | | **24,947** | 219 |
| | | **485,758** | 269,362 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| - Owners of the Company | | **567,040** | 174,057 |
| - Non-controlling interests | | **70,965** | (38,479) |
| | | **638,005** | 135,578 |
| **Dividend** | *9* | **-** | - |
| **Earnings per share** | *10* | | |
| - Basic (HK cents) | | **20.60** | 13.06 |
| - Diluted (HK cents) | | **19.31** | 12.48 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,891,785** | 2,643,606 |
| Investment properties | | **64,773** | 45,650 |
| Prepaid lease payments | | **287,803** | 276,787 |
| Interests in associates | | **273,522** | 231,552 |
| Available-for-sale financial assets | | **100,898** | 94,166 |
| Deposits for acquisition of non-current assets | | **41,653** | 38,874 |
| Goodwill | | **511,539** | 481,075 |
| Intangible assets | | **875,718** | 796,418 |
| Deferred tax assets | | **1,243** | 1,160 |
| Prepayments | | **66,426** | 51,566 |
| | | **5,115,360** | 4,660,854 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **18,011** | 11,206 |
| Inventories | | **762,933** | 636,226 |
| Trade and other receivables | *11* | **1,485,925** | 1,310,067 |
| Amount due from related companies | | **5,400** | - |
| Prepaid lease payments | | **8,771** | 8,332 |
| Pledged bank deposits | | **25,549** | 30,844 |
| Cash and cash equivalents | | **640,842** | 484,418 |
| | | **2,947,431** | 2,481,093 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **1,665,838** | 1,363,970 |
| Bank and other borrowings | | **2,165,957** | 1,663,874 |
| Obligations under finance leases | | **56,090** | 48,220 |
| Amounts due to related companies | | **18,173** | 21,680 |
| Amount due to immediate holding company | | **23,368** | - |
| Income tax payable | | **77,339** | 59,579 |
| | | **4,006,765** | 3,157,323 |
| **Net current liabilities** | | **(1,059,334)** | (676,230) |
| **Total assets less current liabilities** | | **4,056,026** | 3,984,624 |
| **Non-current liabilities** | | | |
| Bank and other borrowings | | **278,212** | 713,825 |
| Convertible bonds | | **293,958** | 276,453 |
| Bond payables | | **119,474** | 111,237 |
| Deferred tax liabilities | | **195,582** | 189,082 |
| Amount due to immediate holding company | | **-** | 23,247 |
| Deferred income | | **632,253** | 585,500 |
| Obligations under finance leases | | **76,946** | 109,193 |
| | | **1,596,425** | 2,008,537 |
| **Net assets** | | **2,459,601** | 1,976,087 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Capital and reserves attributable to owners of the Company** | | | |
| Share capital | | **22,370** | 22,370 |
| Reserves | | **2,211,516** | 1,680,064 |
| Equity attributable to owners of the Company | | **2,233,886** | 1,702,434 |
| **Non-controlling interests** | | **225,715** | 273,653 |
| **Total equity** | | **2,459,601** | 1,976,087 |

*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 preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials and other products, in the People's Republic of China (the "**PRC**").

The Directors consider that Outwit Investments Limited (the "**Outwit**") is the parent company of the Company, and China Grand Enterprises Incorporation (the "**China Grand**") is the ultimate holding company of the Company.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries in Renminbi ("**RMB**"). The Board considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company (the "**Shares**") 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 standards, amendments and interpretations (the "**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for the Group's financial year beginning on 1 January 2017. A summary of the new HKFRSs is set out as below:

| | |
|---|---|
| HKFRS 12 (Amendments) | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| HKAS 7 (Amendments) | Disclosure Initiative |
| HKAS 12 (Amendments) | Recognition of Deferred Tax Assets for Unrealised Losses |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

| | |
|---|---|
| HKFRS 2 (Amendments) | Classification and Measurement of Share-based Payment Transactions[1] |
| HKFRS 4 (Amendments) | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| HKFRS 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers[1] |
| HKFRS 16 | Leases[2] |
| HKFRS 17 | Insurance Contracts[4] |
| HKAS 28 (Amendments) | Investments in Associates and Joint Ventures[1] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| HKFRS 1 (Amendments) | First Time Adoption of Hong Kong Financial Reporting Standards[1] |
| HKAS 40 (Amendments) | Transfers of Investment Property[1] |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration[1] |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments[2] |
| HKFRS 9 (Amendments) | Clarifications to HKFRS 9 Financial Instruments[2] |

| | |
|---|---|
| HKFRS 15 (Amendments) | Clarifications to HKFRS 15 Revenue from Contracts with Customers[1] |

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

## 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 2017 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 (the "**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 Rules Governing the Listing of Securities on the Stock Exchange (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 2017 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$1,059,334,000 (2016: HK$676,230,000) as at 31 December 2017. 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

On 15 January 2018, the Company issued 47,750,000 new Shares to Mr Huang Xiaohua, the former shareholder of Xi'an Beilin, at the subscription price of HK$2.24 each Share in according to the subscription agreement dated 9 October 2017.

The Company can issue certain amount of new shares in according to the outstanding general mandate as approved by the shareholders of the Company in the last Annual General Meeting, and in the upcoming Annual Generate Meeting, the Board will seeking the shareholders' approval in regarding a general and unconditional mandate to allot, issue and deal with the new shares up to a maximum of 20% of the issued share capital of the Company as at the date of passing of the relevant resolution.

*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 from immediate holding company

Outwit has agreed to provide the financial support for not less than 12 months from the year ended 31 December 2017.

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 2017, the Group is principally engaged in manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products and nutrition products, specialized pharmaceutical raw materials and other 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** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| The PRC | **3,539,700** | 2,959,845 | **4,747,330** | 4,341,311 |
| America | **349,804** | 232,835 | - | - |
| Europe | **426,293** | 266,479 | - | - |
| Asia other than the PRC | **419,399** | 214,087 | - | - |
| Others | **35,654** | 22,918 | - | - |
| Total | **4,770,850** | 3,696,164 | **4,747,330** | 4,341,311 |

*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 2017 and 2016, 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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amortisation of intangible assets | **13,141** | 12,125 |

## 6. FINANCE COSTS

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings: | | |
| - wholly repayable within five years | **124,244** | 135,635 |
| - not wholly repayable within five years | **-** | 3,293 |
| Interest on bond payables | **6,603** | 558 |
| Interest on convertible bonds | **27,405** | 27,724 |
| Interest on amount due to immediate holding company | **434** | 451 |
| Interest on finance leases | **15,741** | 14,017 |
| | **174,427** | 181,678 |

## 7. INCOME TAX EXPENSE

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| The PRC Enterprise Income Tax | **79,487** | 54,580 |
| Deferred tax | **(6,306)** | (9,978) |
| | **73,181** | 44,602 |

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% (2016: 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, companies which are assessed by relevant government authorities as High-New Technology Enterprise (the "**HNTE**") are entitled to a reduced Enterprise Income Tax (the "**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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit for the year is stated after charging: | | |
| Depreciation of property, plant and equipment | **230,122** | 207,303 |
| Amortisation of prepaid lease payments (included in cost of sales and administrative expenses) | **8,571** | 8,602 |
| Amortisation of intangible assets (included in other operating expenses) | **13,141** | 12,125 |
| Total depreciation and amortisation | **251,834** | 228,030 |
| Share of tax of associates | **1,695** | 1,995 |

## 9. DIVIDEND

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: 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:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Earnings for the purpose of basic earnings per share calculation | **460,811** | 269,143 |
| Effect of dilutive potential ordinary shares: | | |
| - Interest on convertible bonds (net of tax) | **22,883** | 23,150 |
| - Deferred tax arising from convertible bonds | **(4,522)** | (4,574) |
| Earnings for the purpose of diluted earnings per share calculation | **479,172** | 287,719 |

| | **2017** | 2016 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share calculation | **2,237,012** | 2,061,325 |
| Effect of dilutive potential ordinary shares: | | |
| - Convertible bonds | **244,444** | 244,444 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation | **2,481,456** | 2,305,769 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables, net | **908,157** | 696,607 |
| Bills receivables | **302,633** | 362,025 |
| Prepayments | **143,107** | 141,152 |
| Deposits paid | **534** | 577 |
| Other tax receivables | **35,086** | 38,301 |
| Other receivables, net | **96,408** | 71,405 |
| | **1,485,925** | 1,310,067 |

The Group generally allows a credit period of 30 – 180 days (2016: 30 – 180 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.

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Within 90 days | **739,645** | 406,881 |
| 91-180 days | **136,256** | 57,964 |
| 181-365 days | **39,925** | 237,799 |
| Over 365 days | **42,282** | 29,712 |
| | **958,108** | 732,356 |
| Less: accumulated impairment loss | **(49,951)** | (35,749) |
| | **908,157** | 696,607 |

## 12. TRADE AND OTHER PAYABLES

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Trade payables | **442,138** | 360,695 |
| Bills payables | **186,209** | 341,102 |
| Accruals and other payables *(note)* | **819,105** | 473,646 |
| Deposits received | **1,003** | 801 |
| Other tax payables | **122,402** | 110,579 |
| Receipts in advance | **94,981** | 77,147 |
| | **1,665,838** | 1,363,970 |

*Note*: Included in accruals and other payables, there is an amount of approximately HK$157,908,000 (2016: Nil) was the cash consideration payable for acquisition of additional equity interest in Xi'an Beilin.

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

| | 2017 *HK$'000* | 2016 *HK$'000* |
|---|---|---|
| Within 90 days | **254,863** | 227,327 |
| Over 90 days | **187,275** | 133,368 |
| | **442,138** | 360,695 |

## EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2017:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## Material Uncertainty Related to Going Concern

We draw attention to note 3 to the consolidated financial statements, which indicates that as at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately HK$1,059,334,000. As stated in note 3, these events or conditions, along with other matters as set forth in note 3, indicate that a material uncertainty exist that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group is principally engaged in the manufacture and sales of pharmaceutical preparations and medical devices, bio-technology products, specialized pharmaceutical raw materials and nutrition products. The core pharmaceutical and medical devices products of the Group mainly applied in the cerebro-cardiovascular emergency and Ear, Nose & Throat as well as Eye (the "**ENT**") treatments.

The development strategy of the Group is expanding the product portfolio through internal research and development and acquisition, and also enhancing the synergy effect and operation efficiency through effective resources. After years of unremitting efforts, the Group has become one of the largest suppliers in the PRC in the fields of cerebro-cardiovascular emergency and ENT sub-divisions, and there are more than 200 kinds of products retained or newly listed on the "National Drug List for Basic Medical Reimbursement, Work-Related Injury Reimbursement and Maternity Reimbursement (2017 Version)" (the "**National Medical Reimbursement List**") which was published at the beginning of 2017. Also there were a few core products being listed as National Protected Chinese Medicines# (國家中藥品種保護產品). With the sales volume continuously growing up in line with the market development and the enhancement of sales efficiency, the Group has laid a solid foundation for the rapid growth in performance during the period. For the year ended 31 December 2017, the revenue of the Group was approximately HK$4,770.85 million, and the profit attributable to the owners of the Company was approximately HK$460.81 million, which were increased by 29.1 % and 71.2 % respectively as compared with the same period of 2016.

There were 3 types of medicines listed in the Priority Review List of First Generic Drugs# (首仿藥優先審評名單) during 2016, in which "Travoprost eye drops" which is for the glaucoma indications already obtained the production approval and it will become one of the key products in the ophthalmic market in the PRC and also would strengthen the competitiveness of the Group in this field. Another listed product "Bimatoprost ophthalmic solution" is for open-angle glaucoma and ocular hypertension indication. During the year 2017 it also obtained phase three clinical trial approval for the treatment of inadequate or not enough eyelashes. It is expected that it will take up a key role in the broad prospects of the PRC medical aesthetic market.

During the first half of 2017, the Group entered into an agreement with a worldwide famous enterprise Mitsui & Co. (the "**Mitsui**") for introducing Mitsu as a shareholder with approximately 4.9% of shares of Wuhan Kernal Bio-tech Co., Limited (the "**Wuhan Kernal**") (an indirect non-wholly owned subsidiary of the Group) at the aggregate consideration of approximately RMB 12.7 million. The transaction will benefit from strengthen the relationship of both parties, and further bring new products and market opportunities to the Group in the bio-tech field. The transaction was completed in September 2017.

Furthermore, in October 2017, the Group entered into an agreement with Mr Huang Xiaohua (the "**Mr. Huang**"), another shareholder of Xi'an Beilin Pharmaceutical Company Limited# (西安碑林藥業股份有限公司) (the "**Xi'an Beilin**"), to acquire the remaining approximately 22.8% equity interest of Xi'an Beilin at the consideration of approximate RMB 131.5 million. The transaction was completed in the fourth quarter of 2017 and the Group owned 100% equity interest of Xi'an Beilin. On the other hand, the Group has entered into a subscription agreement with Mr. Huang, in which Mr. Huang agreed to subscribe 47,750,000 new Shares at the subscription price of HK$2.24 each Share, and the new Shares were issued in January 2018.

In November 2017, the Group has entered into an agreement with East Ocean Capital (Hong Kong) Co. Limited for the formation of a joint venture company (the "**Joint Venture**"). The total investment will be approximately USD 15 million and the Group will obtain not more than 49.9% equity interests of the Joint Venture. The Joint Venture has already established and entered into a share subscription and distribution agreements with an innovative Canadian medical company Conavi Medical Inc. (the "**Conavi**"), which is mainly engaged in cardiovascular and intravascular imaging technology. The Joint Venture will subscribe in aggregate 1,043,115 preferred shares of Conavi at a total consideration of approximately US$7.5 million. It also obtains twenty years exclusive distribution rights of the products such as "Foresight ICE" series and "Novasight Hybrid" series, etc in the PRC mainland, Hong Kong, Macau and Taiwan regions.

During the recent years, the Group devoted much efforts to the research and development of new products with focusing on the major areas such as orphan drugs, bio-similar drugs, first chemical generic drugs, innovative drugs and high-end medical devices, etc. It also puts efforts in the brand development and builds up the system for professional academic promotion and sales compliance management in order to promote the core products of the Group into "clinical guidelines" and "expert consensus" of difference professional treatment scopes. The strategic planning and investments of the Group in the previous years have gradually got results. During the year ended 31 December 2017, the Group obtained three production approvals, one clinical trial approval, nine technical transfer approvals, applied eight invention patents and obtained seven licensing approvals. There are still more than thirty research and development projects on-going and that mainly focusing on medicines and medical devices in cerebro-cardiovascular and ENT sectors, in which two projects are classified as Class II innovative drugs, fourteen projects are classified as Class III generic drugs and the remaining are classified as Class VI drugs or Class IV generic drugs. There are also four core products being listed in the "expert consensus" of cerebro-cardiovascular treatment area, and one ENT product is going to be listed in the "clinical guidelines". For the research and development work of orphan drugs, five of them have already completed pharmaceutical research. It is striving for the declaration of production for two products in 2018, and will arrange two additional products for entering into the bioequivalence. Furthermore, the Group is well-prepared for the commencement of consistency evaluation experiments for five products.

In respect of environmental protection and production quality upgrade, the Group has always been guided by safe and clean production, invested heavily in environmental protection facilities, supports energy saving and recycling and promotes sustainable development of enterprises with the aim to fulfill corporate social responsibilities. The Group gradually established a comprehensive high-entry barrier and achieved good social and economic results.

With reference to the disclosure in the 2016 annual report and 2017 interim report of the Group, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Group, is undertaking certain litigations related to a product quality incident, and it is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered by the Group. Up to 31 December 2017, the court has concluded 46 cases, and Tianjin Jingming has appealed 20 cases with aggregate compensation of approximately RMB 19.3 million. For the remaining cases, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB4.3 million in according to the court order, and the remaining compensation of approximately RMB 4.1 million will be paid in 2018. The other related litigations of the product quality incident have not yet been concluded. Given that (1) such product is not the core product of the Group, and (2) according to the terms of the agreement for the acquisition of Tianjin Jingming, the original shareholders of Tianjin Jingming should be responsible for the compensation of such product incident, and GrandPharma (China) Co., Ltd. is also claiming the original shareholders of the Tianjin Jingming for the indemnification of those possible loss suffered. Hence, the Directors are of the view that the said incident and the related litigations do not have material impact to the Group.

According to the terms of the agreement for the acquisition of Tianjin Jingming, the vendors have undertaken to the Group that the net profit after tax (the "**Actual Profit**") from domestic sales (only include the net profit generated from domestic sales and shall not include the profit generated from the sales of irrigating solutions (灌注液)) of Tianjin Jingming for the period commencing on 1 January 2015 and ending on 30 June 2015 shall not be less than RMB5 million (the "**Performance Guarantee**"). If the above Performance Guarantee cannot be met, the Group can claim for a refund of part of the consideration in according to the formula set out in the announcement of the Company dated 22 December 2014. The Group was in a litigation against those vendors in related to the said Performance Guarantee, and in July 2017 obtained the judgement of first instance from the court and received the final judgement from the court in February 2018. It is concluded that the Group can get back the RMB10 million share transfer consideration currently deposited in the bank account jointly controlled by the Group and the vendors. The vendors should also additionally refund approximately RMB 21.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming.

As a result of the efforts of previous years, the Group has become one of the leading enterprises in the ENT sectors in the PRC, and has become a well-known enterprise with significant impact in the cerebro-cardiovascular emergency sector.

## Revenue

For the year ended 31 December 2017, the Group recorded a revenue amount of approximately HK$4,770.85 million, and was increased by approximately 29.1% as compared with the same period of 2016. The increment of the revenue is mainly due to (i) the Group actively fine-tunes the product matrix and puts efforts in the brand development, and builds up the system for professional academic promotion and sales compliance management in order to promote the core products of the Group into "clinical guidelines" and "expert consensus" of difference professional treatment scopes, and over 200 kinds of products retained or newly listed on the National Medical Reimbursement List, and thus resulted the rapid growth of sales; (ii) the Group highly concerns on the product quality and thus is applying advanced bio-technology, enhancing the production technique and investing in the safety and environmental protection facilities in order to improve the product quality and enhance the competitiveness; (iii) Xi'an Beilin, which the Group completed its acquisition in July 2016, also commenced to contribute to the performance of the Group. The Group has been actively developing specialist products such as ENT and cardiovascular emergency drugs with more advanced technology and higher gross profit margin, resulting in an average gross profit margin of approximately 52.0% for the Group during the period under review, which is approximately 5.1 percent points higher than the approximately 46.9% in 2016.

## Pharmaceutical Preparations and Medical Devices

Pharmaceutical preparations and medical devices are the major sources of profit of the Group. The core products include ENT medicines, cerebro-cardiovascular medicines and medical devices, etc. For the year ended 31 December 2017, the revenue amount of pharmaceutical preparations and medical devices was approximately RMB2,253.98 million with the increment of approximately 32.5% as compared with approximately RMB1,701.79 million in the same period of 2016. Furthermore, the research and development invested by the Group in the orphan drugs is expected to gradually contribute returns in 2018, and the Group will take this opportunity as pioneer to become one of the leaders of the orphan drugs industry in the PRC.

- *ENT medicines and devices*

  The Group devotes to build the most comprehensive supply chain of ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, devices, consumables and healthcare products, etc., and providing an all-rounded treatments and care to doctors and patients. The Xi'an Beilin, a famous enterprise in the ENT Chinese medicine industry in the PRC which the Group completed its acquisition in July 2016, brings a high-quality product line and professional team to the Group which strengthen the Group's leading position in this sector and provides good results to the Group this year. During the current financial year, the revenue of ENT medicines and devices recorded approximately RMB1,306.75 million with a growth of approximately 40.8% as compared with the same period of last year. This was benefit from the substantial growth of the two major sub-divisions of the ENT field, in which:

  - Ophthalmic: during 2017, the revenue from the ophthalmic products was approximately RMB559.36 million, with an increment of approximately 29.0% as compared to the approximately RMB433.72 million in 2016. The newly joined Xi'an Beilin has commenced to provide certain contributions. Its He Xue Ming Mu series recorded the revenue of approximately RMB164.38 million and the revenue of Fu Ming tablets was approximately RMB89.98 million, with an increment of approximately 119.0% and 145.0% respectively. Moreover, the core products of the Group have continuously maintained constant growth. Following the launch of new formulation of New Bai Nei Ting, the revenue of Bai Nei Ting series was approximately RMB 79.77 million, increased by approximately 56.6% in compare with the same period of 2016.

    The product formulations of the ophthalmic products of the Group covered all aspects, including both Chinese and western medicines and also have both prescription drugs and non-prescription drugs. There are certain number of high quality products which are the Group's exclusive products or being protected by the National Chinese Medicine patents. The Group has become one of the largest medical products suppliers in the ophthalmic treatment sub-division in the PRC.

- Respiratory and ENT: during 2017, the revenue of the respiratory and ENT products of the Group was approximately RMB747.39 million, which is increased by approximately 51.1% as compared with the approximately RMB494.66 million in the same period of 2016. The core brand Qie Nuo has been listed in the National Medical Reimbursement List and also obtained 6 recommendations from the clinical guidelines or experts consensus. During this year it also strengthened the launch of the pediatric formulation. The revenue recorded approximately RMB 458.60 million during this year, with an increment of approximately 52.4% compared to same period of last year. Other products such as Jin Sang series from Xi'an Beilin were also listed in the National Medical Reimbursement List. With the continuous rapid growth, it contributed approximately RMB 220.51 million of revenue to the Group in 2017.

- *Cerebro-cardiovascular medicines and medical devices*

The Group's cerebro-cardiovascular emergency medicines mainly cover the field of platelet inhibitors, blood-pressure control, vasoactive drugs, etc., in which the platelet inhibitors injections and vasoactive drugs are in the pioneer position of the PRC market. For the period ended 31 December 2017, the revenue of the Group's cerebro-cardiovascular medicines was approximately RMB611.89 million, increased by approximately 18.9% as compared with the same period of last year. Among this sector, the core products such as Xin Wei Ning, Nuo Fu Kang, Rui An Ji and Li Shu An contributed turnover of approximately RMB560.44 million in aggregate, which was increased by approximately 21.6% as compared with the same period of 2016. Nuo Fu Kang entered into the China Experts Consensus Guidelines in 2017, and in the meanwhile the Group increased academic promotion activities, resulting the revenue of this product increased by approximately 17.8% to approximately RMB 55.86 million.

The Group promotes the treatment idea "embedded without implant" and actively seeking for the mini-invasive interventional treatment solution. In 2015 the Group completed the investment in a German company Cardionovum GmbH which is the only one company equipped with the drug-elution balloon product line related to coronary artery, peripheral intervention and hemodialysis. The drug-elution balloon product of these projects includes LEGFLOW RX / OTW, Restore DEB and APERTO OTW, and have made great progress in the research and development. The 5 indications covering 3 areas including coronary artery, peripheral intervention and hemodialysis have completed the clinical enrolment in 2017 and is expected to gradually completed the registration for the PRC market. Furthermore, in November 2017 the Group invested in a Canadian medical device company Conavi Medical Inc., a company with innovative cardiovascular and intravascular imaging technology. It also obtained the exclusive distribution rights in different regions including PRC, Hong Kong, Macau and Taiwan, etc. for a series of worldwide innovative equipment such as 3D intracardiac echocardiography "Foresight ICE" and intravascular ultrasound/ optical coherence tomography "Novasight Hybrid", etc.

**Bio-technology Products and Nutrition Products**

The core products of the bio-technology products and nutrition products include Taurine, amino acid products, bio-pesticides, bio-feed additives and steroid products, etc. The revenue of the bio-technology products and nutrition products was approximately RMB1,208.05 million, increased by approximately 28.5% as compared with the approximately RMB940.37 million in the same period of 2016. Among which the unit price of Taurine products increased and thus the revenue amount recorded approximately RMB 469.94 million and increased by approximately 80.8% as compared with the same period of last year. The amino acids products fulfilled the standard of European Union and being recognized by core customers, and thus the revenue amount increased by approximately 12.5% and recorded approximately RMB 418.03 million. In the first half of 2017, the Group and the worldwide famous enterprise Mitsui entered into an agreement. The Group will develop and introduce more world-leading bio-technology and products through this corporation and build up a solid foundation for becoming a leader of this industry in the PRC.

**Specialized Pharmaceutical Raw Materials and Other Products**

Specialized pharmaceutical raw materials and other products are the comparatively stable sector among the three core product sectors of the Group. To enhance the market competitiveness and increase the economic efficiency of the specialized pharmaceutical raw materials of the Group, it has always been investing on the improvement of the product technology and the product quality, reformation in the production technique to enhance the efficiency, and adapt energy-saving and recycle methods to minimize the effect to the environment. With the benefit of the full utilization of production capacity of the market and in line with the previous year's adjustment of sales focus has been initially completed, as well as the product mix restructure in the previous years was gradually completed and two kinds of specialist raw materials obtained EDQM certifications and other favorable factors in 2017, the revenue and unit prices of these products increased significantly in 2017. The revenue amount was approximately RMB 676.48 million, with an increment of approximately 30.1% as compared with the same period of last year.

**Distribution Costs and Administrative Expenses**

Distribution costs and administrative expenses for the year were approximately HK$1,325.29 million and HK$541.26 million respectively, while they were approximately HK$902.72 million and HK$421.49 million respectively in the same period of last year. The increment of the distribution costs was mainly due to the newly acquired companies have put more efforts in the marketing promotion and thus resulted in the increment of costs. Currently, the Group has a sales team with more than 2,000 staffs, and our products cover around 6,000 hospitals and around 30,000 pharmacies. It is expected the coverage will continue to expand in order to distribute the products of the Group among the country. In the meanwhile the Group is continuously undertaking restructuring in order to enhance production efficiency and improve the management quality, which resulted the increment of administrative expenses.

**Finance Costs**

For the year ended 31 December 2017, the finance costs of the Group were approximately HK$174.43 million while they were approximately HK$181.68 million during the same period of 2016. The Group is working on the changing of bank loans portfolio and considering different fund raising method in order to cope with the development of the Group and reduce the related costs.

**Outlook and Future Prospects**

According to statistics from TrendForce, a global market research organization, the sales of the global pharmaceutical market amounted to approximately US$1.13 trillion in 2017, representing a year-on-year growth of only 1.9%, and a CAGR of 4.9% over the next five years. In the United States, being the world’s largest pharmaceutical market, the number of new approved drugs in 2017 reached approximately 46, hitting its highest record since 1996. More generic drugs are encouraged to enter the market, with 765 generic drugs approved for the year as of November 2017, representing a significant increase of over 130 approvals as compared to with the whole year last year. These figures revealed the direction of policy change in the market, that is, the focus on drug innovation and control of drug prices.

The main theme of the government’s policies in 2017 with respect to the PRC’s pharmaceutical market, which is the second largest in the world, was also stringent monitoring and encouragement of innovation in pharmaceuticals and medical devices. The year 2017 is the first year of policy reform in the PRC pharmaceutical market, and also the first year of industry innovation. Firstly, in terms of new policies, the regulatory authorities in the medical and health industry in the PRC issued a total of 1,562 policy documents throughout 2017, of which 134 documents were issued by China Food and Drug Administration (CFDA), representing a year-on-year increment of 81%, covering five key sectors in the industry, including drug research and development, production, circulation, usage and payment. These policies included, the issuance of the latest version of National Medical Reimbursement List in 2017 and the Chinese Medicines Law, the establishment of pilot hierarchical diagnosis system in selected cities, the abolishment of markups on drug prices, medical two-ticket system and priority assessment arrangements to encourage innovation of new drugs. With respect to new drugs approval, the CFDA basically completed about 22,000 registration applications accumulated since the peak in 2015 by the end of 2017. CFDA also approved the marketing of the third-generation target-oriented lung cancer drug in the PRC 18 months after the approval of the drug by the FDA in United States.

According to EvaluatePharm, the global orphan drugs market is growing at much faster pace than the general pharmaceutical market, with an average CAGR of 7.1% over the past decade, which is more than double the growth rate of the sales of prescription drugs in the same period (5.3%). The global sales of orphan drugs in 2008 amounted to US$60 billion, accounting for 10.1% of the total sales of prescription drugs. According to the estimation of EvaluatePharm, this figure will reach US$209 billion by 2022, accounting for 21.4% of the total sales of prescription drugs. Therefore, it will be a period of rapid development for orphan drugs in the next five years in the global market.

According to the data from menet.com, a Chinese Pharmaceutical website, in 2016, sales of medicines through the hospital channel in the PRC accounted for 77.4% of the pharmaceutical market, while sales through pharmacies accounted for 22.2%, and online pharmacies accounted for only 0.3%. According to the experience of global development, it is an inevitable trend to separate prescription from dispensing. In the pharmaceutical market of United States, approximately 60-70% of drugs are sold through non-hospital channels, and about 70% of prescription drugs are sold by non-hospital channels in the Japanese pharmaceutical market. Therefore, a judgement can be made that the sales channels of the PRC's pharmaceutical market may experience material changes both in terms of national policies and actual market development. Sales from non-hospital channels or low-end markets are likely to become new growth points for drug sales.

After years of unremitting efforts, the Group has kept abreast of the market trend both in development strategy planning and implementation of specific tasks, achieving good operating results and performance. In respect of development strategy, the Group has developed from the strategy of two-front structure industry chain of pharmaceutical preparation and pharmaceutical ingredients to the strategy of being a market leader with its exclusive and core innovative products today. In the past year, the full staff of employees led by the management team made a lot of effort and investment into product development, introduction of acquisitions, improvement of production technology, as well as product quality enhancement, academic-based promotion, energy conservation and recycling, improvement of production environment and fulfilling corporate social responsibilities, all of which have laid a good foundation for maintaining and ensuring the rapid development of the enterprise.

In order to consolidate and strengthen the established leading position in certain segments in the pharmaceutical market in the PRC, the Group has made specific plans and deployment in the following areas: First, emphasize on research and development and introduction of innovative drugs and medical devices, and get prepared for a booming period in the innovative pharmaceutical market in the PRC. Second, complete the planning and construction of the second production base for biotechnology products, by fully utilize the Group's existing advantages and the opportunities in international cooperation, develop and introduce internationally advanced technologies and products, provide the Group with favorable conditions for the breakthroughs in the area of biological technology. Third, expedite the completion of consistency evaluation of solid preparations and explore bigger market for the core products of the Group. Fourth, accelerate the process from development to market for orphan drugs, by taking advantage of existing development technology and cooperation as well as the government's favorable policies toward this area, with a view to helping the patients of orphan diseases to get earlier treatments. Fifth, make further improvements on the levels of production technology and production management, so as to improve product quality, product registration and certification for the achieving sales in the international market. Sixth, proactively respond to and comply with the new national laws and regulations on drug sales, establish the academic-based promotional system, strengthen the strategy of brand product, value and explore the primary medicine market, with a view to ensuring that the Company's quality and effective drugs can be recognized and welcomed by the population of doctors and patients.

In the next few years, the PRC pharmaceutical market will experience material changes with the progressive implementation of national reforms and innovation policies. By unremittingly following the path of product and technology innovation and regarding product quality as its lifeline, the Group will, in good faith, provide high-quality, genuine and effective pharmaceutical products for doctors and patients. While adhering to the initial objective and corporate vision, the Group is committed to becoming a pharmaceutical enterprise which is respected by patients and doctors, by giving back to the society, maintaining stable growth of business for the enterprise and bringing better benefits and return to the investors.

**Financial Resources and Liquidity**

As at 31 December 2017, the Group had current assets of HK$2,947.43 million (31 December 2016: HK$2,481.09 million) and current liabilities of HK$4,006.77 million (31 December 2016: HK$3,157.32 million). The current ratio was 0.74 at 31 December 2017 as compared with 0.79 at 31 December 2016. The increment of current liabilities was mainly due to the increment of bank loans which will be expired within 1 year, and in general these bank loans bear lower finance costs.

The Group's cash and bank balances as at 31 December 2017 amounted to HK$640.84 million (31 December 2016: HK$484.42 million), of which approximately 12.4% were denominated in Hong Kong, United States Dollars and Euro and 87.6% in Renminbi.

As at 31 December 2017, the Group had outstanding bank loans of approximately HK$2,422.56 million (31 December 2016: HK$2,357.53 million) were granted by banks in the PRC. Except for the bank loans of approximately HK$75.18 million, all bank loans were denominated in RMB and granted by banks in the PRC. The interest rates charged by banks ranged from 2.65% to 7.20% (31 December 2016: 3.99% to 9.60%) per annum, in which approximately HK$904.36 million bank loans were charged at fixed interest rates. Certain bank loans were pledged by assets of the Group with a net book value of HK$305.53 million (31 December 2016: HK$331.12 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was 108.4% at 31 December 2017 as compared with 135.8% at 31 December 2016.

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 2017, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

**Material Acquisitions and Disposals**

During the first half of 2017, the Group entered into an agreement with a worldwide famous corporation Mitsui for the disposal of approximately 4.9% equity interest to Mitsui at the aggregate consideration of approximately RMB 12.7 million. The transaction will benefit from strengthen the relationship of both parties, and further bring new products and market opportunities to the Group in the bio-tech field. The transaction was completed in September 2017.

In October 2017, the Group entered into an agreement to acquire the remaining approximately 22.8% equity interest of Xi'an Beilin at the consideration of approximate RMB 131.5 million. Xi'an Beilin is a national hi-tech enterprise with research and development, manufacture and sales capacity in Chinese medicine and has focused on the ENT medicine for many years. The transaction was completed in the fourth quarter of 2017 and the Group owned 100% equity interest of Xi'an Beilin.

**Significant Investment**

There was no other significant investment during the year.

**Contingent Liabilities**

As at 31 December 2017, the Directors were not aware of any material contingent liabilities.

**Events after the Reporting Period**

On 15 January 2018, the Company issued 47,750,000 new Shares to Mr Huang at the subscription price of HK$2.24 each Share in according to the subscription agreement dated 9 October 2017. On 26 February 2018, the Company received a conversion notice from the holder of a convertible bond for the conversion of a convertible bond with principal amount of HK$30,000,000. Accordingly, 22,222,222 new Shares were allotted on 8 March 2018.

Save as disclosed above, no subsequent events occurred after 31 December 2017, which may have a significant effect, on the assets and liabilities or future operations of the Group.

**Purchase, Sale or Redemption of Shares**

Save as disclosed above, during the year ended 31 December 2017, 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 2017, the Group employed about 7,803 staff and workers in Hong Kong and the PRC (31 December 2016: about 7,369). 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 a director of China Grand and a supervisor of Huadong Medicine Co., Ltd. (the "**Huadong Medicine**")(a company established in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange and owned as to approximately 41.77% by China Grand), and Dr Niu Zhanqi, an executive Director, is a director of Huadong Medicine, 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 2017.

**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 (the "**CG Code**") as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2017.

**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 2017 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, 1 June 2018 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 Tuesday, 29 May 2018 to Friday, 1 June 2018 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 1 June 2018. 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 Monday, 28 May 2018.

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

Hong Kong, 15 March 2018

*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. Niu Zhanqi and three independent non-executive directors, namely Ms. So Tosi Wan, Winnie, Mr. Lo Kai Lawrence and Dr. Pei Geng.*

# *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).*

* *For identification purpose only.*