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 2018

Financial Summary

- The revenue for the year ended 31 December 2018 amounted to approximately HK$5,958.36 million (2017: HK$4,770.85 million) with an increment of approximately 24.9% as compared with the same period of last year, and a 5-year compound average growth rate of approximately 17.5% between 2013 to 2018.

- The profit for the year attributable to owners of the Company for the year ended 31 December 2018 amounted to approximately HK$712.67 million (2017: HK$460.81 million) with an increment of approximately 54.7% as compared with the same period of last year, and a 5-year compound average growth rate of approximately 48.2% between 2013 to 2018.

- The gross profit margin for the year ended 31 December 2018 was approximately 53.1% (2017: 52.0%) with an increment of approximately 1.1 per cent points as compared with the same period of last year, and the annual average growth rate between 2013 to 2018 is approximately 4.0 per cent points. The reason for such increment is mainly due to the continuous restructuring of product portfolio and increase the proportion of high profit margin products.

- As a result capital and asset injection, the gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, recorded a substantial decrease from approximately 108.4% as at 31 December 2017 to approximately 29.7% as at 31 December 2018.

- During 2018 the Group kept on strengthening the corporate strategy in promoting products with high-entry barriers, products with brands and products integration of raw materials and preparations, which brought out an obvious attainment of operation. Throughout years of efforts, the operation profit of the Group recorded continuous growth and thus the Board proposed a final dividend of HK$0.086 per Share.

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 2018 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 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*4*	**5,958,355**	4,770,850
Cost of sales		**(2,796,841)**	(2,291,353)
Gross profit		**3,161,514**	2,479,497
Other revenue and income		**196,119**	135,346
Distribution costs		**(1,759,869)**	(1,325,289)
Administrative expenses		**(563,577)**	(541,256)
Other operating expenses	*5*	**(16,171)**	(13,141)
Share of results of associates		**69,179**	(1,791)
Finance costs	*6*	**(203,296)**	(174,427)
Profit before tax		**883,899**	558,939
Income tax expense	*7*	**(147,460)**	(73,181)
Profit for the year	*8*	**736,439**	485,758

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Other comprehensive income/(loss), net of income tax			
Items that will not be reclassified to profit or loss:			
Fair value gain on investment in equity instruments at fair value through other comprehensive income		**862**	-
Items that may be reclassified subsequently to profit or loss:			
Share of other comprehensive income of associates		**2,598**	497
Exchange difference on translating foreign operations		**(153,816)**	151,750
Other comprehensive (loss)/ income for the year, net of income tax		**(150,356)**	152,247
Total comprehensive income for the year, net of income tax		**586,083**	638,005
Profit for the year attributable to:			
- Owners of the Company		**712,667**	460,811
- Non-controlling interests		**23,772**	24,947
		736,439	485,758
Total comprehensive income for the year attributable to:			
- Owners of the Company		**561,693**	567,040
- Non-controlling interests		**24,390**	70,965
		586,083	638,005
Earnings per share	*10*		(restated)
- Basic (HK cents)		**27.74**	20.54
- Diluted (HK cents)		**26.50**	19.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**2,876,443**	2,891,785
Investment properties		**74,228**	64,773
Prepaid lease payments		**267,953**	287,803
Interests in associates	*13*	**5,309,989**	273,522
Available-for-sale financial assets		**-**	100,898
Equity instruments at fair value through other comprehensive income		**96,526**	-
Deposits for acquisition of non-current assets		**39,491**	41,653
Goodwill		**487,848**	511,539
Intangible assets		**815,998**	875,718
Deferred tax assets		**14,290**	1,243
Prepayments		**84,841**	66,426
		10,067,607	5,115,360
Current assets			
Financial assets at fair value through profit or loss		**45,605**	18,011
Inventories		**770,329**	762,933
Trade and other receivables	*11*	**1,609,311**	1,485,925
Amount due from related companies		**10,832**	5,400
Prepaid lease payments		**7,216**	8,771
Pledged bank deposits		**73,515**	25,549
Cash and cash equivalents		**912,244**	640,842
		3,429,052	2,947,431
Current liabilities			
Trade and other payables	*12*	**2,342,539**	1,665,838
Contract liabilities		**156,432**	-
Bank and other borrowings		**1,967,352**	2,165,957
Convertible bonds		**284,725**	-
Obligations under finance leases		**54,097**	56,090
Amounts due to related companies		**10,529**	18,173
Amount due to immediate holding company		**17,603**	23,368
Income tax payable		**133,571**	77,339
		4,966,848	4,006,765
Net current liabilities		**(1,537,796)**	(1,059,334)
Total assets less current liabilities		**8,529,811**	4,056,026
Non-current liabilities			
Bank and other borrowings		**187,486**	278,212
Convertible bonds		**-**	293,958
Bond payables		**113,562**	119,474
Deferred tax liabilities		**179,012**	195,582
Deferred income		**595,894**	632,253
Obligations under finance leases		**19,230**	76,946
		1,095,184	1,596,425
Net assets		**7,434,627**	2,459,601

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Capital and reserves attributable to owners of the Company			
Share capital	*14*	**31,348**	22,370
Reserves		**7,159,611**	2,211,516
Equity attributable to owners of the Company		**7,190,959**	2,233,886
Non-controlling interests		**243,668**	225,715
Total equity		**7,434,627**	2,459,601

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$**"), which is the same as functional currency of the Company, and the functional currency of most of the subsidiaries in Renminbi ("**RMB**"). The Board considered that it is more appropriate to present the consolidated financial statements in HK$ 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 2018. A summary of the new HKFRSs is set out as below:

HKAS 28 (Amendments)	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HKAS 40 (Amendments)	Transfers of Investment Property
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as described below, the application of the New and 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 periods and/or on the disclosures set out in the Consolidated Financial Statements.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	31 December 2017 *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	1 January 2018 *HK$'000*
Non-current assets				
Available-for-sale financial assets	100,898	(100,898)	-	-
Equity instruments at fair value through other comprehensive income	-	100,898	-	100,898
Deferred tax assets	1,243	11,331	-	11,331
Current assets				
Trade and other receivables	1,485,925	(9,896)	-	1,476,029
Current liabilities				
Trade and other payables	1,665,838	-	(94,981)	1,570,857
Contract liabilities	-	-	94,981	94,981
Net current liabilities	(1,059,334)	1,435	-	(1,057,899)
Net assets	2,459,601	1,435	-	2,461,036
Capital and reserves				
Reserves	2,211,516	865	-	2,212,381
Non-controlling interests	225,715	570	-	226,285
Total equity	2,459,601	1,435	-	2,461,036

HKFRS 9 Financial instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Under the transition methods chosen, the Group recognises the cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been affected by HKFRS 9.

Classification and measurement

	HKAS 39 carrying amounts at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	HKFRS 9 carrying amounts at 1 January 2018 *HK$'000*
Non-current assets			
Financial assets at FVTOCI			
Unlisted equity securities *(note)*	-	100,898	100,898
Financial assets classified as AFS financial assets under HKAS 39			
Unlisted equity securities *(note)*	100,898	(100,898)	-

Notes:

Available-for-sale ("AFS") investments

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$100,898,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$100,898,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of approximately HK$862,000 relating to those investments previously carried at fair value continued to accumulate in FVTOCI reserve.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including amount due from related companies, other receivables, pledged bank deposits and bank balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

	Trade and other receivables *HK$'000*	Deferred tax assets *HK$'000*	Total *HK$'000*
At 31 December 2017 – HKAS 39	1,485,925	1,243	1,487,168
Amounts re-measured through			
- opening retained earnings	(9,466)	10,331	865
- non-controlling interests	(430)	1,000	570
At 1 January 2018 – HKFRS 9	1,476,029	12,574	1,488,603

The table below summarises the impact on the Group's reserves due to reclassification and remeasurement of financial instruments at the date of initial application:

	HKAS 39 carrying amount at 31 December 2017	Reclassification	Remeasurement	HKFRS 9 carrying amount at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Reserve				
Retained profits	1,213,842	865	-	1,214,707
Non-controlling interests	225,715	570	-	226,285
	1,439,557	1,435	-	1,440,992

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from manufacturing and sales of pharmaceutical preparations and medical devices and other related products which arise from contracts with customers. Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note3 to the 2018 audited consolidated financial statement.

Summary of effects arising from initial application of HKFRS 15 There's no impact of transition to HKFRS 15 on retained earnings at 1 January 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	HKAS 18 carrying amounts at 31 December 2017	Reclassification	HKFRS 15 carrying amounts at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities	-	94,981	94,981
Trade and other payables	1,665,838	(94,981)	1,570,857

Notes:

As at 1 January 2018, receipts in advance from customers of HK$94,981,000 related to sales of finished goods previously included in trade and other payables were reclassified to current portion of contract liabilities.

Significant financing component

For contracts where the period between the payment by the customer and transfer of the promised property or service exceeds one year, the transaction price should be adjusted for the effects of a financing component, if significant. The Group has assessed that the financing component effect was insignificant.

New and revised HKFRSs that have been issued but are not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[3]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures[1]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKFRS 3 (Amendments)	Definition of a business[2]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2020.

4 Effective for annual periods beginning on or after 1 January 2021.

5 Effective for annual periods beginning on or after a date to be determined.

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 2018 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 2018 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$1,537,796,000 (2017: HK$1,059,334,000) as at 31 December 2018. 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 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 2018.

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 2018, 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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**4,889,374**	3,539,700	**6,744,831**	4,747,330
America	**226,343**	349,804	-	-
Europe	**444,047**	426,293	-	-
Asia other than the PRC	**361,308**	419,399	-	-
Others	**37,283**	35,654	-	-
Total	**5,958,355**	4,770,850	**6,744,831**	4,747,330

Note: Non-current assets excluded available-for-sale financial assets, equity instrument at fair value through other comprehensive income, deferred tax assets and a part of interests in associates.

Information about major customers

For the years ended 31 December 2018 and 2017, none of the Group's sales to a single customer amounted to 10% or more of the Group's total revenue.

REVENUE

Disaggregation of revenue from contracts with customers

	2018 *HK$'000*	2017 *HK$'000*
Type of goods and services		
Manufacture and sales of pharmaceutical preparations and medical devices	**3,588,143**	2,598,374
Sales of bio-technology products and nutrition products	**1,615,832**	1,392,632
Sales of specialised pharmaceutical raw materials and other products	**754,380**	779,844
Total revenue recognised at point in time	**5,958,355**	4,770,850

	2018 **HK$'000**	2017 HK$'000
Revenue disclosed in segment information		
External customers	**5,958,355**	4,770,850
Timing of revenue recognition		
At point in time	**5,958,355**	4,770,850
Over time	**-**	-
	5,958,355	4,770,850

All of the Group's revenue is generated in the PRC based on where goods are sold. All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contacts is not disclosed.

5. OTHER OPERATING EXPENSES

	2018 *HK$'000*	2017 *HK$'000*
Amortisation of intangible assets	**16,171**	13,141

6. FINANCE COSTS
7.

	2018 *HK$'000*	2017 *HK$'000*
Interest on bank borrowings:		
- wholly repayable within five years	**157,653**	124,244
- not wholly repayable within five years	**-**	-
Interest on bond payables	**6,805**	6,603
Interest on convertible bonds	**26,977**	27,405
Interest on amount due to immediate holding company	**255**	434
Interest on finance leases	**11,606**	15,741
	203,296	174,427

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
The PRC Enterprise Income Tax	**154,034**	79,487
Deferred tax	**(6,574)**	(6,306)
	147,460	73,181

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% (2017: 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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year is stated after charging:		
Depreciation of property, plant and equipment	**220,144**	230,122
Amortisation of prepaid lease payments (included in cost of sales and administrative expenses)	**7,096**	8,571
Amortisation of intangible assets (included in other operating expenses)	**16,171**	13,141
Total depreciation and amortisation	**243,411**	251,834

9. DIVIDEND

The Board recommends the payment of final dividend of approximately HK$269,600,000 at HK$0.086 per Share for the year ended 31 December 2018 (2017: 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:

	2018	2017
	HK$'000	*HK$'000*
		(restated)
Earnings		
Earnings for the purpose of basic earnings per share calculation	**712,667**	460,811
Effect of dilutive potential ordinary shares:		
- Interest on convertible bonds	**26,977**	27,405
Earnings for the purpose of diluted earnings per share calculation	**739,644**	488,216

	2018	2017
	'000	*'000*
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**2,568,876**	2,243,144
Effect of dilutive potential ordinary shares:		
- Convertible bonds	**222,222**	244,444
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	**2,791,098**	2,487,588

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.

The weighted average number of ordinary shares for the year ended 31 December 2017 for the purposes of calculating basis and diluted earnings per share have been adjusted for the issue of new shares by way of rights issue which took place on 5 September 2018.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables, net	**928,865**	908,157
Bills receivables	**313,659**	302,633
Prepayments	**258,028**	143,107
Deposits paid	**469**	534
Other tax receivables	**30,852**	35,086
Other receivables, net	**77,438**	96,408
	1,609,311	1,485,925

The Group generally allows a credit period of 90 – 180 days (2017: 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.

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**831,589**	739,645
91-180 days	**73,678**	136,256
181-365 days	**23,598**	32,256
	928,865	908,157

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**394,506**	442,138
Bills payables	**661,370**	186,209
Accruals and other payables *(note)*	**1,137,896**	819,105
Deposits received	**-**	1,003
Other tax payables	**148,767**	122,402
Receipts in advance	**-**	94,981
	2,342,539	1,665,838

Note:

During the year ended 31 December 2018, included in accruals and other payables, there is an amount of approximately HK$353,701,000 disclosed as non-cash transaction in annual report which was payable for acquisition of an associate company.

During the year ended 31 December 2017, there was cash consideration amounted HK$157,908,000 payable for acquisition of additional equity interest in Xi'an Beilin Pharmaceutical Company Limited.

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

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**267,262**	254,863
Over 90 days	**127,244**	187,275
	394,506	442,138

13. INTERESTS IN ASSOCIATES

	2018	2017
	HK$'000	*HK$'000*
Cost of unlisted investments (note)	**5,153,458**	241,505
Share of post-acquisition profit/(loss) and other comprehensive income	**61,380**	(4,548)
Share of net assets of associates	**5,214,838**	236,957
Amounts due from associates	**95,151**	36,565
	5,309,989	273,522

Note:

(a) Acquisition of Sirtex Medical Limited ("**Sirtex**")

On 14 June 2018, the Company entered into the binding scheme implementation deed pursuant to which CDH Genetech Limited ("**CDH Genetech**") and the Company had acquired 100% of the Sirtex shares. The Company and CDH Genetech had established Grand Pharma Sphere (Australia BidCo) Pty Limited ("**BidCo**") to acquire the Sirtex shares at an aggregate consideration HK$ 2,907,725,000. Upon completion of the acquisition, the Company and CDH Genetech owned 49% and 51% of the issued shares capital of the BidCo respectively. The completion of the acquisition took place on 20 September 2018. Details of the acquisition of the BidCo are disclosed in the announcement of the Company dated 14 June 2018, 26 July 2018, 20 September 2018 and 12 March 2019.

(b) Acquisition of Taiwan Tung Yang International Company Limited ("**Tung Yang**")

On 24 May 2018, the Company entered into the acquisition agreement, the Company had acquired 100% of the Tung Yang shares at aggregate consideration HK$ 2,004,227,000. Upon completion of the acquisition, Tung Yang is directly wholly-owned subsidiary of the Company. Shanghai Xudong Haipu Pharmaceutical Co., Ltd ("**Xudong Haipu**") and its subsidiaries are classified as associates of the Company after Completion. This is because material decisions of Xudong Haipu (including but not limited to the approval of its annual budget, manufacturing plan and profit distribution policy) are subject to the resolutions of the board of directors of Xudong Haipu which must be passed by at least two-third of its directors in attendance under the articles of association of Xudong Haipu. As the Tung Yang entitled to appoint only four out of the seven directors of Xudong Haipu, the Tung Yang does not have control over the operations and financial management of Xudong Haipu. The completion of the acquisition took place on 5 September 2018. Details of the acquisition of the Tung Yang are disclosed in the announcement of the Company dated 24 May 2018, 31 July 2018 and 24 August 2018.

14. SHARE CAPITAL

	Number of shares at		**Share capital at**	
	31 December 2018	31 December 2017	**31 December 2018**	31 December 2017
	'000	*'000*	***HK$'000***	*HK$'000*
Authorized				
Ordinary shares of HK$0.01 each	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid				
At 1 January 2018 and 2017	**2,237,012**	2,237,012	**22,370**	22,370
Exercise of convertible bond	**22,222**	-	**222**	-
Rights issue	**394,146**	-	**3,941**	-
Issued under subscription	**481,445**	-	**4,815**	-
At 31 December 2018	**3,134,825**	2,237,012	**31,348**	22,370

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 2018:

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 2018, 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 2018, the Group's current liabilities exceeded its current assets by approximately HK$1,537,796,000. 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, Ear, Nose & Throat as well as Eye (the "**ENT**") treatments and selective internal radio therapy for tumor treatment.

Through interaction with the investors and capital markets for many years, the Group has released its latest business development information and has gradually been recognized by the stocks trading institutions and general investors. The Company has been successfully listed on the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets ("**Shenzhen-Hong Kong Stock Connect**"), and additionally has also been enlisted in the MSCI China Small Cap Index.

The development strategy of the Group is expanding the product portfolio through internal research and development and external investment and acquisition, and also enhancing the synergy effect and operation efficiency through effective resources allocation. 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 in recent years the PRC pharmaceutical market is encouraging innovation and many new policies have been raised. The Group has been making efforts to optimize the product matrix and developing products with high-entry barriers and technology and products with brands in order to build up the competitiveness of core products and increase the proportion of higher gross profit margin products. The Group has also committed in the strategy of integration of raw materials, enhancement of product quality and strictly control over the cost of production and administration. As a result of the aforesaid efforts, the Group has enhanced the market share rate of sub-division of core product area and tried to avoid the risk of gross profit margin decline probably arising from the centralized medicines procurement of China pharmaceutical market, so as to maintain rapid sustainable development and increasing the Group's profits. For the year ended 31 December 2018, the revenue of the Group was approximately HK$5,958.36 million, and the profit attributable to the owners of the Company was approximately HK$712.67 million, which were increased by 24.9% and 54.7% respectively as compared with the same period of 2017.

More than 90 products of the Group have been included in the National List of Essential Drugs (2018 Version) ("**List of Essential Drugs**") issued in the second half of 2018, including the core ENT products "Qie Nuo", the National Protected Chinese Medicines "Jin Sang San Jie capsule", "He Xue Ming Mu tablet", Gemcitabine Hydrochloride for Injection, which is used for treatment of tumor, etc. This has further proven the efficacy and safety of the Company's products, as well as the general characteristics of the essential drugs needed by the market.

In 2018, the Company completed two important acquisitions which aimed to strengthen the market leading position of the Group in the existing core treatment sectors, grasping the market opportunities to extend the treatment area such as branded pharmaceutical products and anti-tumor treatment.

In May 2018, the Group announced the acquisition of 100% equity interest of Tung Yang with the consideration of RMB1,540.0 million, in which its main assets is the 55% equity interests of Shanghai Xudong Haipu, a famous company for cerebro-cardiovascular emergency drugs in China. Xudong Haipu is mainly engaged in manufacturing and sales of pharmaceutical preparations for injection with various volumes, and its core products covering nearly a hundred different medical products in more than 10 major pharmaceutical categories such as emergency medication, cerebro-cardiovascular, respiratory products, etc., which is expected to create synergy effect with the Group's product portfolio, diversify the Group's production lines in core treatment sectors such as cerebro-cardiovascular emergency and respiratory tract. In addition, it can further expand the Group's market share and brand influence in these sectors, and intensify the Company's market leading position in terms of the cerebro-cardiovascular emergency products. 40% of the consideration of acquisition was paid to the vendor by the Company's issuance of 181,069,959 new Shares at the price of HK$4.20 per share, while the remaining 60% was paid by the subscription funding from Shanghai Grand Financial Investment Co.

Limited (上海遠大產融投資管理有限公司) ("**Shanghai Finance**") which subscribed 228,148,148 new Shares at the subscription price of HK$5.00 per share. Such acquisition had been completed in September 2018. As of the date of publication of this announcement, the Group has received approximately HK$1,038.1 million from the subscription by Shanghai Finance, and issued 207,624,950 new Shares to the subscriber. The remaining 20,523,198 subscription shares are expected to be distributed and issued upon receipt of the balance of subscription amount in 2019.

In June 2018, the Group entered the Scheme Implementation Deed with CDH Genetech to acquire 100% shares of Sirtex at a total consideration of approximately AUD$1.9 billion, in which the Group held 49% equity interests of Sirtex. Sirtex is a global life science company registered and was listed in Australia. Its main product SIR-Spheres Y-90 resin microspheres, is a selective radiotherapy for liver cancer, which uses the microsphere technology to directly transmit the radiations into the affected hepatic tissues. The Directors believe that this acquisition of Sirtex will bring significant favorable opportunities for the Group to get involved in the interventional nuclear medicine therapy for malignant tumors, and expect the Group to further develop the existing global business of Sirtex, particularly SIR-Spheres Y-90 resin microsphere product. The product will have a tremendous market potential in China, because it adopts the world's leading innovative technology, and PRC is an enormous untapped market where more than 50% of the global patients are located, and it is also lack of effective liver cancer treatment methods and new technology products. The Group has assisted Sirtex to kick-off the commercialization in the PRC so as to bring its leading therapeutic solution to Chinese patients in need. In the recent years, the Chinese pharmaceutical authority has continuously issued a number of preferential policies to support, promote and accelerate the introduction and registration of international innovative therapeutic products and acute diseases. The Group believes these policies would benefit the registration and approval processes of product of Sirtex, and accelerate the launch and commercialization procedures in the PRC. The aforesaid acquisition of Sirtex had been completed in September 2018, and subsequently obtained the approvals from related government authorities including the Foreign Investment Review Board of Australia, the Federal Trade Commission of United States and the Committee on Foreign Investment in the United States, etc..

The consideration of the Group for the aforesaid acquisition of Sirtex was mainly funded by the proceeds from rights issue of the Company. The rights issue was based on six (6) rights shares for every twenty-five (25) Shares on a non-underwritten basis, at the subscription price of HK$5.20 per rights share (the "**Rights Issue**"). Such Rights Issue was completed in September 2018. The qualified shareholders have totally applied for 394,146,288 Shares, with net proceeds of approximately HK$2,048.01 million. Moreover, the Company also entered into a subscription agreement with a subscriber in August 2018 to allot and issue 45,000,000 Shares at the subscription price of HK$5.20 per Share. Such subscription was completed in September 2018, with net proceeds of approximately HK$233,500,000.

Furthermore, in May 2018, the Group also announced to intend to acquire 100% equity interest of Shanghai Winguide Huangpu Pharmaceutical Co., Ltd. (上海運佳黃浦制藥有限公司) at a consideration of approximately RMB1,551.30 million. The acquisition was not completed as the pre-conditions were not fulfilled or waived, so both parties reached a consensus and signed the termination agreement on 28 December 2018.

The Group has been attaching importance to the intellectual property rights and patent protection. In 2018, the Group totally obtained 40 authorized patents, including 18 invention patents, 11 utility model patents and 11 design patents. In addition, the Group has been investing substantial resources in the independent R&D, and has now over 30 R&D projects that are on the pipeline mainly focusing on the core development segments, including the cerebro-cardiovascular, ENT drugs and medical devices and the niche market orphan drugs. Since 2014, the Group has been co-developing many orphan drugs with Chinese Academy of Medical Sciences (中國醫學科學院). In 2018, the five orphan drugs under research were listed into the Notice on Publication of the First Catalogue of Orphan Diseases (關於公佈第一批罕見病目錄的通知) jointly issued by the five ministries and commissions, of which our self-developed Carglumic Acid Tablet, which is used for treatment of hyperammonemia, and Vigabatrin Tablet, which is used for treatment of complex partial seizures and for infantile spasms, have both been included in the priority list for drug examination and approval. As the government is increasingly putting more attention to orphan diseases, many supporting policies such as value-added tax benefits, priority enlisting into the medical reimbursement list and acceleration of drug examination and approval have been issued, all of which will be conducive for the Group to reserving a large number of orphan drugs.

The registration and research of two leading-edge drug-eluting balloon products of Cardionovum Holdings Co., Limited, an associated company of the Group, made significant progress in the first half of 2018. All the clinical work of the three indications covered by the products of RESTORE has been completed, and RESTORE CHINA presented the research report at the International Conference on Interventional Therapy TCT in 2018, where positive feedbacks have been received for the research conclusions. Currently, two indications of the product have entered into the registration stage. Meanwhile, the clinical research work of APERTO has been finished. In November 2018 In November 2018 the chief researcher shared the clinical results in the national continuing education class of VAC 2018 Standardization and New Progress of the Application of Artificial Vascular Arteriovenous Fistula in Hemodialysis, the chief researcher shared the clinical results and received positive feedback. The two products are expected to be launched in the PRC market in the second half of 2019. The intravascular ultrasonic optical coherence tomography and synchronous imaging system NOVASIGHT of Conavi Medical Limited, in which the Group had started investment since the second half of 2017, accepted the premarket notification 510(k) from the U.S. Food and Drug Administration ("**FDA**") in April 2018, which is ready to take the lead to launch commercial sales in North America market.

In February 2019, the Group entered into an exclusive license agreement with Glenmark Specialty S.A. ("**Glenmark**"), a Swiss innovative pharmaceutical research and development institution. The Group will be licensed to exclusively sell in the PRC, Ryaltris, a compound nasal spray being developed by Glenmark. Glenmark will be responsible for manufacturing and supplying Ryaltris, while the Group will be responsible for the clinical trial and registration of Ryaltris in the PRC, and may exclusively sell Ryaltris in China for a period of twenty years upon the marketing approval. Ryaltris is a pioneering new compound nasal spray of glucocorticoid and antihistamine drugs, which mainly contains olopatadine hydrochloride and mometasone, for treating seasonal allergic rhinitis of patients aged above 12. Glenmark has completed the phase 3 clinical trial of Ryaltris and applied to FDA for the product marketing in May 2018, and such application is under review. The PRC is one of the countries with the highest incidence of allergic rhinitis in the world. According to a survey, from 2005 to 2010, the incidence of adult allergic rhinitis in the PRC increased from approximately 11.1% to approximately 17.6%; at present, there are approximately 150 million adults with rhinitis in the PRC , over 6 million of whom are patients with moderate and severe allergic rhinitis, as calculated according to market research. The introduction of Ryaltris will strategically supplement the product offerings of the Group in ENT and represent the obtaining of a new international ENT product by the Group, thus improving the core product competitiveness of the Group.

With reference to the disclosure in the 2016 and 2017 annual report and 2018 interim report of the Company, Tianjin Jingming New Technology Development Co., Ltd. (the "**Tianjin Jingming**"), an indirect non-wholly owned subsidiary of the Company, 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 Company. Up to 31 December 2018, the court has concluded 21 cases, and Tianjin Jingming has appealed 49 cases against the judgement of first instance with aggregate compensation of approximately RMB20.70 million. Among the final and effective judgements, Tianjin Jingming has paid the compensation and the related legal charges of approximately RMB8.91 million in according to the court order. 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 until 30 June 2015, 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 RMB21.2 million share transfer consideration to the Group in according to the terms of the agreement for the acquisition of Tianjin Jingming. However, the vendors subsequently applied for rehearing of the aforesaid judgement, and the matter will be reheard according to the court's judgement in December 2018, which is currently scheduling.

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. We have confidence that once the products of Sirtex completed the registration in the PRC, the Group will become one of the enterprises which own innovative blockbusters products in the area of cancer treatment in the PRC, especially in the aspect of interventional internal radio therapy.

Revenue

For the year ended 31 December 2018, the Group recorded a revenue amount of approximately HK$5,958.36 million, and was increased by approximately 24.9% as compared with the same period of 2017, and a 5-year compound average growth rate of approximately 17.5% between 2013 to 2018. The increment of the revenue is mainly due to the contributions from (i) the Group actively fine-tuned the product matrix, insist on the development of the industrial chain of pharmaceutical raw materials and preparation integration, control production and management costs, and the businesses newly acquired in the past two years continuously contributed more to the performance, and the gross profit margin of products was increased; (ii) the Group has been actively expanding the market share coverage rate of the core products; and (iii) benefited from the "National Drug List for Basic Medical Reimbursement, Work-Related Injury Reimbursement and Maternity Reimbursement (2017 Version)" (the "**National Medical Reimbursement List**") published in 2017, the Group vigorously develops specialized pharmaceutical products with exclusive or high-entry barriers, exclusive or protected pharmaceutical products and branded pharmaceutical products, etc. to minimize the risks from Purchasing Organizations Procurement, and enhance the competitiveness of products. The Group's average gross profit margin was increased to approximately 53.1% during the period, which is approximately 1.1 percent points higher than approximately 52.0% in the same period of 2017, and the annual average growth rate between 2013 to 2018 is approximately 4.0 per cent points. The reason for such increment is mainly due to the continuous restructuring of product profile and increasing the proportion of high profit margin product.

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 2018, the revenue amount of pharmaceutical preparations and medical devices was approximately RMB3,027.64 million with the increment of approximately 34.3% as compared with approximately RMB2,253.98 million in the same period of 2017.

- *ENT medicines and devices*

  In recent years, the Group devotes to build the most comprehensive supply chain of ENT medicines in the PRC, covering the prescription drugs, non-prescription drugs, Chinese medicine, medical devices, consumables and healthcare products, etc., and providing an all-rounded treatments and care to medical professions and patients. The core non-prescription products, including "Ruizhu" eye drops for the treatment of dry eye, and the "Nuotong" for the relief of nasal congestion in the ENT, were awarded as the top 5 brands in the Comprehensive Ranking of Ophthalmology, Otolaryngology and Oral Classification of Chinese Non-prescription Drug Products (Chemicals) in 2018. Focusing on therapeutic ophthalmology products, the Group has multi-channel industry advantages and brand market awareness. In 2018, through the combined advantages of multi-products, the Group will further increase the promotion of non-prescription brands and increase brand awareness from consumers to obtain further recognition of the company's brand. In the forthcoming future, the Group will continue to optimize the structure of non-prescription products, expand segment coverage not only limited to ophthalmology market but also to other specific market sectors (oral, cold, gastrointestinal health), integrating multi-channel marketing teams, utilizing existing retail and online sales and other marketing methods to cultivate the brand culture of China Grand Pharm to become the leader in the domestic consumer healthcare market. During the current year, the revenue of ENT medicines and medical devices recorded approximately RMB1,751.00 million with a growth of approximately 34.0% as compared with the same period of last year. It was benefit from the substantial growth of the two major sub-divisions of the ENT field, in which:

- Ophthalmic: During 2018, the revenue from the ophthalmic products was approximately RMB648.87 million, with an increment of approximately 16.0% as compared with the approximately RMB559.36 million in 2017. Benefited from the increased revenue from the core ophthalmic products and formulations including National Protected Chinese Medicines He Xue Ming Mu series that are protected by the National Chinese Medicine patents, the revenue of approximately RMB206.92 million has been recorded, with an increment of approximately 25.9% as compared with the same period of 2017. Moreover, the overall drug use of the public hospitals market in China grew faster than the market expectation, which has also increased the procumbent amount of the Group. The core non-prescription eyedrops “Rui Zhu” has restored to the former sales level, resulting in the revenue of approximately RMB116.00 million during the year, representing an increase of approximately 62.5%.

- Respiratory and ENT: During 2018, the revenue of the respiratory and ENT products of the Group was approximately RMB1,102.13 million, which is increased by approximately 47.5% as compared with the approximately RMB747.39 million in the same period of 2017, indicating that the academic promotions and inputs in the past few years are beginning to make contributions. Meanwhile, as for the key product “Qie Nuo” of Beijing Grand Jiuhe Pharmaceutical Co., Ltd., the newly-built preparations workshop has been successfully certified by GMP and officially put into operation during the year. Its overall production capacity is designed based on the market demand, and the annual production will be increased to 1 billion pills. Continuously benefited from the National Medical Reimbursement List, List of Essential Drugs and the market recognition of pediatric formulations, the revenue recorded substantial growth and reached approximately RMB706.93 million in 2018, with an increment of approximately 54.1% as compared with same period of last year. Moreover, the revenue of Jin Sang series was approximately RMB285.60 million, with an increment of approximately 29.5% as compared with same period of last year.

- *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. With the benefit of strengthening the market promotion efforts, during 2018, the revenue of the Group’s cerebro-cardiovascular medicines was approximately RMB844.89 million, increased by approximately 38.1% as compared with the same period of last year. Among this sector, the core product Li Shu An, Nuo Fu Kang and Rui An Ji contributed revenue amount of approximately RMB645.94 million, which was increased by approximately 48.7% as compared with the same period of last year.

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 for 2018 was approximately RMB1,363.42 million, increased by approximately 12.9% as compared with the same period of 2017. During the year, the Group’s Taurine and amino acid products of the Group continued to benefit from the increment of market demands, and rewards have also been gained from the Company’s constant efforts in strengthening environmental protection, investing in safety facilities and improving operational management, which gained more recognition of the high-end market, and resulted in the steady increment in the revenue and gross profit. As for the bio-pesticides and bio-feeding related products, the Company used “green agriculture” and continuously arranged promotions in regions with potential customers, and shared the benefits of “green agriculture” with existing customers. Meanwhile, the newly-developed overseas market began to show good results, and recorded the revenue of approximately RMB150.17 million, representing an increase of approximately 27.1% as compared with the same period of 2017.

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 improve the economic efficiency, the Group has always been investing in the improvement of the product technology and the product quality, reformation in the production technique to enhance the efficiency, and adjusting the product matrix. The revenue amount in 2018 was slightly decreased by approximately 5.9% to approximately RMB636.54 million as compared with the same period of last year. The Group has attached great importance to the environmental protection requirements in relevant policies which become more restricted, and has constantly increased the investment in such aspect and enhanced the awareness of environmental protection and safety, which have therefore steadily raised the global acceptability and reinforced the products competitiveness in terms of the global market share.

Distribution Costs and Administrative Expenses

Distribution costs and administrative expenses for the year were approximately HK$1,759.87 million and HK$563.58 million respectively, while they were approximately HK$1,325.29 million and HK$541.26 million respectively in the same period of last year. The increment of the distribution costs was mainly due to the Group invested in the exploration of new markets and promotion of products during the past year, and resulted the revenue amount increased over HK$1,000 million. Following the primary completion of restructuring of the Group in the last few years, it started generate returns and thus resulted an insignificant increment of administrative expenses while the Group is continuously expanding its business scale.

Finance Costs

For the year ended 31 December 2018, the finance costs of the Group were approximately HK$203.30 million while they were approximately HK$174.43 million during the same period of 2017. 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

The Global Use of Medicine in 2019 and Outlook to 2023, a global medical market forecast report published by IQVIA Holdings Inc., a world-famous medical marketing consultancy, points out that the global outlook for medicine use and spending affects the prospects of life sciences companies, insurers and the health of populations. In 2018, the global pharmaceutical market reached US$1.2 trillion, of which approximately US$137 billion was attributable to China. The global pharmaceutical market will exceed US$1.5 trillion by 2023 growing at a 3−6% compound annual growth rate over the next five years, of which pharmaceutical markets in developing countries are expected to grow at a 5−8% compound annual growth rate.

According to the pharmaceutical market development course and experience of developed countries, especially with opportunities and challenges from the expiry of exclusive rights to patented drug products, the future development of the global pharmaceutical market will focus on the matter of balanced development between innovative products and branded drugs entering the market. The entry of new products into the market, the application and prices of branded drugs, especially the development of biosimilar drugs and otherwise, have a significant influence on pharmaceutical markets of developed and developing countries.

China’s economic development is an important basis and a barometer for the development of the pharmaceutical market. National economic development shifts from “growth rate increase” to “quality improvement”, promoting the transformation and upgrade of the economic industry, improvement in the people’s prosperity and scientific and technological progress. From the perspective of development of China’s pharmaceutical market, in recent years, the policies and measures on national pharmaceutical market reform, including separation of prescribing and dispensing, two-invoice system and drug consistency evaluation, have been continuously published, not for product innovation and advancement, but for the purpose of reducing pharmaceutical product prices and medical insurance burden, based on ensuring the pharmaceutical product quality and bioavailability. The establishment of National Healthcare Security Administration and successive implementation of measures including “centralized procurement in 4+7 cities” and adjuvant drug catalogue present challenges and reform opportunities for China’s pharmaceutical market and enterprises.

In China, a pharmaceutical market encouraging technological innovation but dominated by generic drugs, the core competitiveness of a pharmaceutical enterprise will lie in how fast a product can be launched, the product quality, production cost. The production, marketing and R&D are three major production factors for the development of a pharmaceutical enterprise, while the patients-oriented supply chain is the bond and key for supporting and promoting the coordinated development of the three major factors. The Group has always paid great attention to the management of the pharmaceutical supply chain. In terms of production and manufacturing, it has adhered to the principles of procurement of raw materials and auxiliary materials, integrated production and manufacturing of pharmaceutical raw materials and preparations, thus improving the product quality, controlling the product costs and enhancing the market competitiveness of the products of the Company. In terms of marketing, it focuses on professional academic promotion and gradually forms a special model and strategy of the Company to sell products with high-entry barriers and branded products, thus significantly increasing the gross margins of the Company's products. In terms of R&D, it has actively adhered to the strategy of combination of independent R&D, investment and acquisition, and introduction of products, so as to continuously provide series products in core fields to meet market demands. Such efforts enable the Group to maintain high growth for years, with greater recognition and popularity of its enterprises and product brands in the market.

The core strategy of the Group's future overall development is to consolidate the barrier for existing products and realize the transformation to an innovation-oriented pharmaceutical enterprise as soon as possible, with focus on patients and market orientation, based on research and development. Looking forward to the next few years, the Group will make greater efforts in terms of research and development of new products as well as enterprise management. Firstly, focus on patient means providing patients with high-quality products and satisfying market demands. In terms of development and marketing of products, with regard to existing products, the Group will coordinate and mobilize internal important resources to strongly support and develop pharmaceutical and medical devices and branded pharmaceutical products with technical and market barriers, based on paying attention to and developing integrated production and manufacturing of products, and will provide a greater number of curative, cost-effective and high-quality blockbusters in the market. Secondarily, "based on research and development" means attaching great importance to the future development of products towards high-end value chain, which relates to the survival of a pharmaceutical enterprise. The Group will invest more financial and human resources in digesting and introducing international innovative drugs and medical devices, develop a greater number of important products in fields of technical innovation, severe diseases, rare diseases and otherwise, through fully using China's national preferential policies which encourage technical innovation, and reserve diversified blockbusters with a good application prospect, and improve the competitiveness of the Company's products, so as to lay a solid foundation for the future development of the Company. Thirdly, market orientation means adoption of management and marketing models which are adapted to the market environment, according to changes in the market and competitive landscape. The Group will make efforts to improve the management model, especially the soft management model (structural and sales model adjustment) and overseas investment enterprise management model, and improve the management and marketing efficiency, so that facing market challenges, enterprises are able to achieve steady and efficient development and have stronger risk control ability, market competitiveness and the international management ability.

Throng years of efforts, the Group has accumulated a number of competitive product groups with certain technical and market barriers, in ENT, ophthalmology, cerebro-cardiovascular emergency and otherwise, and has built good enterprise and product brands, which has laid a solid foundation for continuous and steady growth in results of the Company in the future. On this basis, the Group has gradually reserved a number of internationally state-of-the art and innovative series products through independent development, outward investment, mergers and acquisitions and otherwise. With the successive completion of development and registration of such products, especially based on the phase-in of the plan of the Group's international-level pharmaceutical research and development center and achievements in global commercialization of the products developed by it, the Group will launch a greater number of innovative medicines and high-end medical devices up to international standards, so that it is able to maintain existing advantages of medicines with high-entry barriers and branded medicines, and further develop itself into a large pharmaceutical enterprise group with advantages of international technical innovation.

Financial Resources and Liquidity

As at 31 December 2018, the Group had current assets of HK$3,429.05 million (31 December 2017: HK$2,947.43 million) and current liabilities of HK$4,966.85 million (31 December 2017: HK$4,006.77 million). The current ratio was 0.69 at 31 December 2018 as compared with 0.74 at 31 December 2017.

The Group's cash and bank balances as at 31 December 2018 amounted to HK$912.24 million (31 December 2017: HK$640.84 million), of which approximately 1.9% were denominated in Hong Kong, United States Dollars and Euro, and 98.1% in Renminbi.

As at 31 December 2018, the Group had outstanding bank loans of approximately HK$2,134.35 million (31 December 2017: HK$2,422.56 million) were granted by banks in the PRC. All bank loans were denominated in RMB and granted by banks in the PRC. The interest rates charged by banks ranged from 2.92% to 6.66% (31 December 2017: 2.65% to 7.20%) per annum, in which approximately HK$1,087.00 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$250.16 million (31 December 2017: HK$305.53 million). The gearing ratio of the Group, measured by bank borrowings as a percentage of shareholders' equity, was significantly reduced to approximately 29.7% as at 31 December 2018 as compared with approximately 108.4% as at 31 December 2017.

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 2018, the Group did not have foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purposes.

Material Acquisitions and Disposals

In May 2018, the Company and GL Saino Investment Limited entered into an agreement for the acquisition of 100% equity interests in Tung Yang at the consideration of RMB1.54 billion. Its major asset is owning 55% equity interests of a famous cerebro-cardiovascular enterprise Xudong Haipu, The above mentioned acquisition was completed in September 2018.

In June 2018, the Group entered the Scheme Implementation Deed with CDH Genetech and Sirtex to acquire 100% shares of Sirtex at a total consideration of approximately AUD$1.9 billion, in which the Group held 49% equity interests of Sirtex. The above mentioned acquisition was completed in September 2018.

Significant Investment

There was no other significant investment during the year.

Contingent Liabilities

As at 31 December 2018, the Directors were not aware of any material contingent liabilities.

Events after the Reporting Period

Save as disclosed above, no subsequent events occurred after 31 December 2018, which may have a significant effect, on the assets and liabilities or future operations of the Group.

Issue of new shares and use of proceeds

On 9 October 2017, the Company entered into a subscription agreement with Mr. Huang Xiaohua for the subscription of 47,750,000 Shares with an aggregate nominal value of approximately HK$477,500. The subscription price and the net price (after deduction of all necessary related expenses) was HK$2.24 per Share. The closing price of the Share at the date of entering the agreement (i.e. 9 October 2017, being the last trading day for the Shares before entering the agreement) was HK$2.71 per Share. The said subscription shares were allotted and issued on 15 January 2018. The net proceeds from the subscription were approximately HK$107.0 million and already applied as to approximately HK$90.0 million for repayment of bank loans, approximately HK$9.9 million for repayment of interest of convertible bonds, approximately HK$1.7 million for salary and wages, approximately HK$0.8 million for office rent, approximately HK$3.2 million for audit fees and other professional expenses, and approximately HK$1.4 million for other recurring operating expenses.

On 23 June 2014, the Company entered into a subscription agreement with RedStone Capital Management (Cayman) Limited for the subscription of a convertible bond in an aggregate amount of HK$30.0 million. The convertible bond can be converted into Shares at the initial conversion price of HK$1.35 per Share. The net proceeds from the subscription of such convertible bond was approximately HK$29.7 million. The closing price of the Share at the date of entering the agreement (i.e. 23 June 2014, being the last trading day for the Shares before entering the agreement) was HK$1.50 each Share. On 26 February 2018, the Company received a conversion notice from the holder of the convertible bond. The convertible bond was then fully converted and 22,222,222 Shares with an aggregate nominal value of approximately HK$222,222 were allotted and issued to the holder of the convertible bond on 8 March 2018. The issuance of such convertible bond was initially intended to finance an acquisition of a company, but subsequently the transaction was terminated and thus the unused proceeds were already applied as the general working capital of the Group.

On 24 May 2018, the Company and GL Saino Investment Limited entered into an agreement for the acquisition of 100% equity interests in Tung Yang at the consideration of RMB1,540.0 million, among which 40% of the consideration (i.e. approximately RMB616.0 million, represents approximately HK$760.0 million) will settled by the allotment and issue of consideration shares. On 24 August 2018, as the condition precedents of the acquisition agreement have been fulfilled, 181,069,959 consideration shares have been allotted and issued in according to the consideration shares special mandate.

On 24 May 2018, the Company entered into a subscription agreement with the Shanghai Finance, pursuant to which the Shanghai Finance has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, 228,148,148 subscription shares at the subscription price of HK$5.00 per subscription share for a cash consideration of approximately HK$1,141 million. For the year ended 31 December 2018, the Group has received part of the subscription money amounted to approximately HK$1,038.1 million, and in aggregate 207,624,950 subscription shares have been allotted and issued, representing approximately 91.0% of all the subscription shares to be allotted and issued under the subscription agreement. It is expected that the completion of the allotment and issue of the remaining 20,523,198 subscription shares shall occur within 2019 upon receiving the remaining balance of the subscription money. The net proceeds received from the said subscription amounted to approximately HK$1,037.82 million, in which approximately HK$890.68 million was applied as the partial consideration for the acquisition of equity interests in Tung Yang, and the remaining money amounted to approximately HK$147.14 million is reserved for the settlement of the remaining consideration for the said acquisition in 2019.

On 4 July 2018, the Company proposed a rights issue on the basis of six (6) rights shares for every twenty-five (25) Shares held by the qualifying shareholders. The subscription price of each rights share is HK$5.20. The rights issue became unconditional on 29 August 2018, and commenced dealing on the Stock Exchange on 6 September 2018. Qualifying shareholders applied for 394,146,288 Shares in aggregate, and the net proceeds amounted to approximately HK$2,048.01 million. The net proceeds received from the rights issue were fully applied as the partial consideration for the acquisition of Sirtex.

Furthermore, the Company entered into a subscription agreement with Oasis Investment II Master Fund Ltd for the allotment and issue of 45,000,000 Shares at the subscription price of HK$5.20 per share. The said subscription was completed on 12 September 2018, and the net proceeds amounted to approximately HK$233.50 million were fully applied as the partial consideration for the acquisition of Sirtex.

Purchase, Sale or Redemption of Shares

Save as disclosed above, during the year ended 31 December 2018, 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 2018, the Group employed about 8,006 staff and workers in Hong Kong and the PRC (31 December 2017: about 7,803). 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 2018.

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 2018, save for the deviations below which have been rectified during the year 2018:

Non-compliance with rules 3.10(1), 3.21 and 3.25 of the listing rules

Pursuant to Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee must comprise a minimum of three members. Pursuant to Rule 3.25, the remuneration committee should comprise a majority of independent non-executive directors. Mr Lo Kai Lawrence, an independent non-executive Director, a member of the audit committee, nomination committee and remuneration committee of the Company, passed away on 11 May 2018 due to illness. Thus the number of independent non-executive Directors fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules, and the number of members of the audit committee of the Company fell below the minimum number prescribed under Rule 3.21 of the Listing Rules. The remuneration committee also has only half members comprised by independent non-executive Director which is below the requirement under Rule 3.25. On 31 December 2018, Mr Hu Yebi was appointed as the independent non-executive director of the Company, and also as a member of the audit committee, remuneration committee and nomination committee. Following the appointment of Mr. Hu Yebi as independent non-executive director and a member of each of the audit committee, remuneration committee and nomination committee of the Company, the Company has re-complied with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules.

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. Hu Yebi, and Dr. Pei Geng.

The Group's audited annual financial results for the year ended 31 December 2018 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. Hu Yebi.

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. Hu Yebi.

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 Monday, 10 June 2019 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 during the following periods:

(i) from Tuesday, 4 June 2019 to Monday, 10 June 2019 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 10 June 2019. 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, 3 June 2019; and

(ii) from Friday, 14 June 2019 to Tuesday, 18 June 2019 both days inclusive, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, 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 Thursday, 13 June 2019. The final dividend will be paid on or about Friday, 28 June 2019 to the shareholders whose names appear on the register of members as on Tuesday, 18 June 2019.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinagrandpharm.com) and the Company's 2018 Annual Report will be dispatched to Shareholders and published on the Company's and the Stock Exchange's websites in due course.

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

Hong Kong, 26 March 2019

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. Hu Yebi and Dr. Pei Geng.

* *For identification purpose only.*