創美·CH'MEI

CHARMACY PHARMACEUTICAL CO., LTD.
創美藥業股份有限公司

(a joint stock limited liability company established in the People's Republic of China)

(Stock Code: 2289)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL SUMMARY

- In 2016, the turnover of the Group was RMB3,668.93 million, increasing by 8.00% as compared to RMB3,397.13 million in 2015.
- In 2016, profit attributable to the owners of the Company was RMB59.35 million, increasing by 125.15% as compared to RMB26.36 million in 2015.
- In 2016, basic and diluted earnings per Share was RMB54.95 cents as compared to RMB32.30 cents in 2015.
- The Board recommends the distribution of a final dividend of RMB0.20 per Share for the year ended 31 December 2016.

ANNUAL RESULTS

The Board (the "**Board**") of Directors (the "**Directors**") of Charmacy Pharmaceutical Co., Ltd. (the "**Company**" or "**we**") is pleased to announce the audited consolidated financial results of the Company and its subsidiary (the "**Group**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Turnover	3	**3,668,928**	3,397,133
Cost of sales		**(3,488,629)**	(3,232,431)
Gross profit		**180,299**	164,702
Other income	3	**11,787**	5,514
Selling and distribution expenses		**(48,122)**	(40,296)
Administrative expenses		**(47,471)**	(64,246)
Finance costs	5	**(16,607)**	(24,099)
Profit before taxation		**79,886**	41,575
Income tax expense	6	**(20,538)**	(15,216)
Profit for the year and total comprehensive income attributable to the owners of the Company	7	**59,348**	26,359
Earnings per share			
Basic and diluted (RMB cents)	8	**54.95**	32.30

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	Notes	**2016** **RMB'000**	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**130,010**	117,667
Prepaid land use rights		**93,572**	96,350
Deferred taxation		**573**	840
		224,155	214,857
Current assets			
Inventories		**356,939**	318,465
Prepaid land use rights		**2,778**	2,778
Trade and other receivables	*10*	**1,169,604**	1,025,871
Pledged bank deposits		**357,747**	345,370
Bank balances and cash		**119,570**	155,629
		2,006,638	1,848,113
Current liabilities			
Trade and other payables	*11*	**1,352,802**	1,355,631
Bank borrowings		**421,362**	290,650
Income tax payables		**4,164**	2,433
		1,778,328	1,648,714
Net current assets		**228,310**	199,399
Total assets less current liabilities		**452,465**	414,256
Capital and reserves			
Share capital		**108,000**	108,000
Reserves		**344,465**	306,256
		452,465	414,256

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

Charmacy Pharmaceutical Co. Ltd (the "**Company**") was established as a 全民所有制企業 (enterprise owned by the whole people in the PRC) under the name of 汕頭市醫藥聯合公司物資站 (Shantou Pharmaceutical Supplies Company*) on 18 February 1984. Pursuant to an approval granted by the relevant PRC authorities on 28 May 2015, the Company was transformed into a joint stock company with limited liability and changed to its current name. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 14 December 2015. The address of the registered office and principal place of business of the Company is No. 235, Song Shan North Road, Longhu District, Shantou City, Guangdong Province, PRC.

The Company and its subsidiary (collectively referred to as the "**Group**") are engaged in trading of pharmaceutical products and provision of related services.

The consolidated financial statements are presented in RMB, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("**HKAS(s)**"), amendments and interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the new and revised 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 disclosure set out in these consolidated financial statements.

* *English translation for identification purpose only*

New and revised HKFRSs issued but not yet effective

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Lease[3]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 (2014) in the future may have an impact on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures. For instance, the Group will be required to replace the incurred loss impairment model in HKAS 39 with an expected loss impairment model that will apply to various exposures to credit risk. HKFRS 9 will also change the way the Group classifies and measures its financial assets, and will require the Group to consider the business model and contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. It is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with a customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have result in the identification of separate performance obligations which could affect the timing of the recognition of revenue. Certain costs incurred in fulfilling a contract which are currently expensed may need to be recognised as an asset under HKFRS 15. More disclosures relating to revenue are also required. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until a detail review is completed.

Amendment to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide guidance on how an entity should determine future taxable profits to support the recognition of a deferred tax asset arising from a deductible temporary difference.

Amendments to HKAS 12 become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The amendments are to be applied retrospectively.

The directors of the Company anticipate that the application of Amendments to HKAS 12 will have a material effect on the Group's consolidated financial statements in relation to the recognition of deferred tax effect from allowance for impairment of trade receivables.

3. TURNOVER, OTHER INCOME

Turnover represents the amounts received and receivable for goods sold and provision of services in the normal course of business, net of discounts and sales related taxes. Analysis of the Group's turnover for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Turnover		
Sales of goods	**3,640,925**	3,381,222
Services income	**28,003**	15,911
	3,668,928	3,397,133
Other income		
Bank interest income	**3,342**	4,650
Government grant *(Note)*	**2,694**	–
Impairment loss reversed on trade and other receivables	**–**	610
Exchange gain	**5,445**	–
Sundry income	**306**	254
	11,787	5,514

Note:

Included in the amount of government grants recognised for the year ended 31 December 2016 of approximately RMB2,694,000 (2015: Nil) was received from the government for subsidising the operations of the Group.

4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The Chief Executive Officer of the Company consider that there is only one operating and reportable segment for the Group: trading and promoting pharmaceutical products.

Geographical information

All the Group's operations are located in the PRC. All the Group's turnover from external customers are generated from the PRC and all the non-current assets of the Group are located in the PRC.

Information about major customers

No individual customer has contributed over 10% of the total turnover of the Group for both years ended 31 December 2016 and 2015.

5. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interest expenses on bank borrowings	**13,205**	18,472
Interest expenses on discounted bills	**3,402**	5,627
	16,607	24,099

6. INCOME TAX EXPENSE

	2016	2015
	RMB'000	*RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**20,271**	14,949
Deferred taxation	**267**	267
Total income tax expenses for the year	**20,538**	15,216

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 Group is 25% for the both years.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before taxation	**79,886**	41,575
Tax at domestic income tax rate of 25%	**19,972**	10,394
Tax effect of expense not deductible for tax purposes	**566**	4,822
Utilisation of tax losses previously not recognised	**–**	–
Income tax expense for the year	**20,538**	15,216

7. PROFIT FOR THE YEAR

	2016	2015
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors', supervisors' and senior management's emoluments		
– Salaries and allowances	**2,214**	1,435
– Retirement benefit scheme contributions	**246**	157
	2,460	1,592
Other staff costs		
– Salaries and allowances	**32,514**	25,499
– Retirement benefit scheme contributions	**6,462**	5,235
	38,976	30,734
Total staff costs	**41,436**	32,326
Cost of inventories sold	**3,489,162**	3,232,431
Reversal of write-down of inventories (included in cost of sales)	**(533)**	(128)
Loss on disposal of property, plant and equipment	**29**	80
Allowance for impairment loss reversed in respect of trade receivables	**–**	(610)
Depreciation of property, plant and equipment	**9,428**	8,982
Amortisation of prepaid land use rights	**2,778**	2,496
Listing expense	**–**	23,866
Foreign exchange (gains) losses	**(5,445)**	1,297
Auditor's remuneration	**1,000**	844

8. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the following:

	2016	2015
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share	**59,348**	26,359

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**108,000**	81,611

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2016 and 2015.

9. DIVIDEND

An interim dividend of RMB0.2 per share totaling RMB16,000,000 was declared and paid by the Company on the Company's shares issued in the PRC ("Domestics Shares") and HK$0.229 per share at the time of approval by the Company's shareholders totaling approximately HK$6,423,000 (equivalent to RMB 5,139,000) was declared and paid by the Company on the overseas listed foreign shares ("H Shares") during 2016.

The board of Directors proposed the payment of a final dividend of RMB0.2 (tax inclusive) per share for the year ended 31 December 2016 (2015: Nil) subject to the Company's shareholders' approval on the upcoming annual general meeting.

A special dividend of RMB30,000,000 and RMB16,000,000 was declared and paid by the Company in March and October 2015 respectively.

10. TRADE AND OTHER RECEIVABLES

	2016 ***RMB'000***	2015 *RMB'000*
Trade receivables	**867,230**	882,858
Less: Allowance for impairment	**(2,286)**	(2,286)
	864,944	880,572
Bills receivables *(Note)*	**199,205**	94,486
	1,064,149	975,058
Prepayment	**102,361**	49,185
Other receivables	**3,094**	1,628
	1,169,604	1,025,871

The Group generally allows an average credit period of 0 to 180 days to its trade customers. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of accumulated impairment losses presented based on the date of delivery of goods, which approximated the respective revenue recognition dates at the end of the reporting period.

	2016 ***RMB'000***	2015 *RMB'000*
0 to 60 days	**623,564**	656,964
61 to 180 days	**192,611**	208,880
181 to 365 days	**10,378**	12,138
Over 365 days	**38,391**	2,590
	864,944	880,572

The movements of allowance for impairment of trade receivables are as follows:

	2016	2015
	RMB'000	*RMB'000*
Balance at the beginning of the year	**2,286**	2,896
Impairment losses reversed	**–**	(610)
Balance at the end of the year	**2,286**	2,286

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable.

The analysis of trade receivables that were neither past due nor impaired and past due but not impaired are as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**Less than 30 days**	**31 to 60 days**	**61 to 180 days**	**Over 180 days**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016	864,944	737,416	45,568	30,609	2,354	48,997
At 31 December 2015	880,572	807,142	26,230	36,467	1,314	9,419

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired for the year, the directors of the Company consider that no allowance is necessary in respect of these balances.

Note:

All bills receivables are with ageing within one year. As at 31 December 2016, bills receivable of RMB157,060,000 (2015: RMB32,054,000) were discounted to banks for bank borrowings.

11. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables *(Note (i))*	**489,550**	514,955
Bills payables *(Note (ii))*	**823,857**	777,108
	1,313,407	1,292,063
Receipt in advance *(Note (iii))*	**4,408**	11,511
Other tax payables	**4,739**	1,933
Value-added tax payable	**18,020**	38,411
Accrued expenses and other payables	**12,228**	11,713
	1,352,802	1,355,631

Notes:

(i) An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**326,814**	393,912
31 to 60 days	**117,099**	69,164
61 to 180 days	**29,033**	40,139
181 to 365 days	**12,880**	7,441
Over 365 days	**3,724**	4,299
	489,550	514,955

The average credit period on purchase of goods is from 0 to 120 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

(ii) All bills payables are with ageing within 180 days and all bills payables of the Group were secured by certain pledged bank deposits, property, plant and equipment and inventories held by the Group.

(iii) Receipt in advance represented advance payments from customers pursuant to the respective sales and purchase contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

China has witnessed its urbanization picking up the speed, its population aging at a faster rate, its implementation of "Two-child" policy, and its resident income growing at a steady pace. Given the circumstances, the country is confronted by a growing demand at pharmaceutical and health service markets, the ongoing reform of the medical and healthcare system, a more urgent demand for transforming and upgrading pharmaceutical distribution, and new opportunities and challenges for developing the pharmaceutical distribution industry.

Multiple policies and regulations on pharmaceutical distribution were introduced during the reporting period. The PRC Ministry of Commerce published its National Development Plan for the Pharmaceutical Distribution Industry (2016-2020) (《全國藥品流通行業發展規劃(2016-2020年)》) (the "Plan"), in an effort to guide the reform and development of pharmaceutical distribution industry and propel its transformation and upgrade. The Plan sets forth the target that by 2020, the development of the industry will have been mostly compatible with the overall objective of building a moderately well-off society in an all-round manner and people's increasing demand for health. By then, the industry will have formed a modern pharmaceutical distribution system featuring unified and open operation, orderly competition, an optimized network, well-organized and efficient distribution, great safety and convenience, and benefit to the public.

Regulating the order and environment of pharmaceutical distribution

During the reporting period, China Food and Drug Administration ("**CFDA**") issued the "Announcement on Rectifying the Illegal Operation in Pharmaceutical Distribution" (Document No.94) (《關於整治藥品流通領域違法經營行為的公告》(94號文)), to carry out concentrated rectification of the illegal operation in pharmaceutical distribution, further rectify and regulate the order of pharmaceutical distribution, and crack down on illegal operation.

The competent authority for the PRC pharmaceutical distribution industry is tightening its regulation, which will improve the order of pharmaceutical distribution and facilitate its industrial integration and reform. Under such tightened regulation, non-compliant pharmaceutical distribution enterprises will be eliminated, thus leading to a better environment for pharmaceutical distribution and promoting the healthy development of the industry.

Rising industrial concentration and a reshuffled industrial landscape

In April 2016, the General Office of the State Council of the PRC promulgated the "2016 Key Work Tasks of In-Depth Reform on Pharmaceutical and Healthcare Structure" (《深化醫藥衛生體制改革2016年重點工作任務》), requiring the implementation of the "Two-invoice system" (「兩票制」) to optimize the order of buying and selling pharmaceuticals and cut down circulation procedures. The implementation of the "Two-invoice system" will impel industrial integration among pharmaceutical distribution industry and expedite the concentration of the pharmaceutical distribution industry.

According to the Plan, the sales of top-100 pharmaceutical wholesale enterprises accounted for 69% of the total sales on the pharmaceutical wholesale market in 2010; the proportion grew to 86% in 2015, with three national pharmaceutical-distribution giants whose respective annual sales exceeded RMB100 billion and 25 regional pharmaceutical distributors whose annual sales exceeded RMB10 billion, reflecting a substantial increase in industrial concentration. According to the Plan, by 2020, the annual sales of top-100 pharmaceutical wholesale enterprises will account for over 90% of the total sales of the pharmaceutical wholesale market, and the concentration of pharmaceutical distribution industry will continue to increase significantly.

The number of companies seeking financing through listing on the capital market increased from 12 in 2010 to 20 in 2015, coupled with active mergers and acquisitions among listed companies. During the "13th Five-Year Plan" period, the government will continue to encourage large pharmaceutical distributors to accelerate their integration and expansion through merger and acquisition, listing for financing and bond issuance, so that such distributors can grow bigger, better and stronger. Meanwhile, the government also encourages small and medium-sized pharmaceutical distributors to develop professional and specialized operation with their own characteristics, in order to reshape the industrial landscape of pharmaceutical distribution industry.

A new era for "Internet-Plus" development leading to transformation and upgrade of the pharmaceutical distribution industry

Pharmaceutical e-commerce has enjoyed rapid development in recent years. As at 31 December 2015, 517 enterprises had the "Qualification Certificate for Providing Internet Pharmaceutical Transaction Services" (《互聯網藥品交易服務資格證書》, ("**Qualification Certificate**") in China, in which 106 enterprises had Wholesale B2B Certificates ("**B Certificates**"), with total sales of RMB47.6 billion for pharmaceutical e-commerce recorded in the Direct Reporting System of the Ministry of Commerce in 2015. Out of the amount, RMB44.4 billion was from the B2B market, accounting for 93.3% of the total sales of pharmaceutical e-commerce. According to the information from CFDA, as at 22 January 2017, 913 enterprises had the Qualification Certificate. Among them, 224 enterprises had B Certificates. On 22 January 2017, the State Council published the Decision on Cancelling the Centrally-Specified Local Administrative Approval for 39 Matters (Batch 3) (《關於第三批取消39項中央指定地方實施的行政許可事項的決定》), specifying the "cancellation of the approval for internet service providers of pharmaceutical transactions (except third-party platforms)".

The "Internet-Plus" model experiences fast development into a new carrier of propelling the development of the pharmaceutical distribution industry. The Plan promotes the development of the "Internet + Pharmaceutical Distribution" model and the extensive application of information technology, such as mobile internet, to pharmaceutical distribution, so as to enrich the channels and development models of pharmaceutical distribution, facilitate online-offline integration development, and boost the transformation and upgrade of the pharmaceutical distribution industry.

BUSINESS REVIEW

Our principal business is pharmaceutical products distribution in the PRC, and substantially all of our turnover were contributed by pharmaceutical products distribution. We procure pharmaceutical products from pharmaceutical manufacturers and distributor suppliers and then sell the products to distributor customers, retail pharmacy stores, and hospitals, clinics, health centres and others. In 2016, we followed the established operation target, to continue to explore the market in Southern China, with a focus on developing the business of sales to retail pharmacy stores, so as to lay the foundation for the operation of "Charmacy e-Medicine" (創美e藥).

As at 31 December 2016, our distribution network covered 5,674 customers, among which 783 were distributors, 3,496 were retail pharmacy stores and 1,395 were hospitals, clinics, health centres and others. As at 31 December 2015, our distribution network covered 5,245 customers, among which 745 were distributors, 3,256 were retail pharmacy stores and 1,244 were hospitals, clinics, health centres and others.

As at 31 December 2016, we had 1,019 suppliers, among which 673 were pharmaceutical manufacturers and 346 were distributor suppliers. As at 31 December 2015, we had 1,045 suppliers, among which 749 were pharmaceutical manufacturers and 296 were distributor suppliers.

As at 31 December 2016, we distributed 6,069 products, which increased by 508 products as compared to 2015.

	Number of Products For the year ended 31 December	
	2016	2015
Categories of Products		
Western medicines	**2,881**	2,858
Chinese patent medicines	**2,392**	1,995
Healthcare products	**125**	122
Others	**671**	586
Total	**6,069**	5,561

Our B2B e-commerce platform, "Charmacy e-Medicine" (創美e藥) (http://www.cmyynet.com/) was in full operation in December 2015. As at 31 December 2016, our B2B e-commerce platform ("**e-commerce platform**") had 4,759 registered customers who are mainly retail pharmacy stores. The turnover contributed from our e-transactions through our B2B e-commerce platform in 2016 was approximately RMB177.48 million. In 2016, we allocated part of the proceeds raised from listing to transform our former B2B e-commerce platform into an SAP Hybris e-commerce management platform, which was formally launched on 1 November 2016. In 2017, we will fully enhance the PC-based e-commerce platform, mobile-based WAP and upgraded generation of WeChat public account to optimize the customer application experience, promote the corporate brand in a more effective way, so that the operating efficiencies will increase and transaction costs will reduce through e-commerce platform.

The turnover of the Group in 2016 was RMB3,668.93 million, increasing by 8.00% as compared to last year. The gross profit margin was 4.91%, increasing by 0.06 percentage points as compared to last year. The total expense ratio was 3.06%, representing a decline of 0.73 percentage points as compared to last year. We had the profit attributable to the owners of the Company of RMB59.35 million, increasing by 125.15% as compared to last year. The net profit margin was 1.62%, increasing by 0.84 percentage points as compared to last year. The overall profitability improved markedly compared with last year.

Reform on the information system and cooperation with IBM to build SAP system

The Group officially commenced the construction of information-based program on 20 March 2016. By leveraging on the brand new business suite, SAP S/4HANA, we integrated into Hybris e-commerce platform and various solutions including SAP CRM, mobile application and SAP BO. The IBMPOWER8 server assisted the Group for arranging SAP HANA on Power memory computing, so as to build an integrated information service platform with an omni-channel covering purchasing, logistics, storage, sales and management of customer relationship. The construction of information-based program (phase I) was formally launched on 1 November 2016.

Purchase of refrigerated transportation vehicles for expanding the distribution coverage

In 2016, the Group had purchased a total of 23 refrigerated transportation vehicles for its two logistics centers. The refrigerated transportation vehicles can ensure better product quality as compared to the existing transportation vehicles. This can optimize the logistic quality, expand the distribution coverage, increase the supply of products to customers and provide better transportation services.

Establishment of a professional e-commerce team, and comprehensively planning and promotion of the e-commerce platform

In 2016, the Group established its e-commerce operations center, to provide comprehensive planning, instrument development and application, daily activity promotion and operation facilities for the Group's e-commerce platform. Specifically, the center works on six aspects, function development and optimization of the e-commerce platform, website design and planning, effect data synthesis and analysis, daily operation and promotion, product maintenance and testing, and departmental communication and coordination. The center aims to better promote the operation of "Charmacy e-Medicine" B2B e-commerce platform, introduce the existing pharmacy end users to the online platform, provide quality experience of online ordering for end users, and improve the work efficiency of the marketing team.

Prospects

Continuously expand the product offerings and enhance the product mix

The Group will continuously introduce new products with high quality, including healthcare products, cosmetics, equipment and Chinese medicine decoction pieces. At the same time, the Group will phase out some of the products with lower gross profit margin and turnover rate. We will enrich our product diversity and enhance the product mix to meet the diversified demands from customers and enjoy greater customer reliance and loyalty, and thus further increasing the profitability of the Group so as to strengthen our competitive position.

Continuously propel the progress of acquisition and increase the coverage in the end markets of Southern China

In 2017, the Group will accelerate its acquisition of established pharmaceutical distribution companies across cities in Southern China, such as Shenzhen, with consideration of various factors including geographical location, product mix, turnover and customer base, so as to facilitate the development of the Group's new logistic centers, expand its own distribution network, increase the Group's coverage in the end markets of Southern China, enhance pharmaceutical delivery capabilities and scale, increase service efficiency and form a more competitive pharmaceutical delivery network.

Investment in Zhuhai Hengxiang Pharmaceutical Limited

On 13 March 2017, the Company entered into a capital contribution agreement with the owner of Zhuhai Hengxiang Pharmaceutical Limited (珠海市恒祥醫院有限公司, "**Zhuhai Hengxiang Pharmaceutical**"), to increase the Company's contribution to the registered capital of Zhuhai Hengxiang Pharmaceutical to 70% of its equity interest and become its controlling shareholder, at a consideration of RMB18.00 million (the "**Investment**"). This is an important measure that offers the Group an in-depth layout in Zhuhai region, a full coverage of the end markets in Zhuhai City as well as the neighboring regions such as Jiangmen and Zhongshan, which will help broaden the Group's sales network, expand its customer base and increase its turnover. Furthermore, upon the completion of the Investment, the Group estimates that there will be an increase of approximately 1,100 downstream customers and an increase of products of approximately 1,400 specifications under its operation, including 1,065 Chinese medicine decoction pieces. As such, it will help raise the proportion of such products as Chinese medicine decoction pieces and healthcare products, equipping the Group with stronger product mix to meet the diversified demands from customers and enjoy greater customer loyalty.

The funds used in the Investment are in line with the planned use of the proceeds as set out in the prospectus of the Company dated 2 December 2015 (the "**Prospectus**").

Launch the construction of information-based program (Phase II) to facilitate the corporate strategic development

In 2017, the Group will launch the construction of information-based program (Phase II), to invest in the implementation of three modules, namely, SAP EW, SAP TM and SAP HR. The Group aims to: (i) develop and improve its warehouse management system and transportation system to complement the supply-chain collaboration platform, and realize visualized management of warehousing and distribution; (ii) establish a model of integrated network for logistic operation, to upgrade the model of separate business operation among logistic centers, and achieve support among different warehouses; deliver standard logistic and distribution operation and develop replicable operational models; and (iii) develop a three-pronged HR management model for the Group (supported by an human resources expert center, a human resources platform and human resources business partners), shared services and HRBP, to share resources, teams, abilities and information, provide one-stop HR solution to all departments, improve the work efficiency of teams and better serve corporate strategies.

Comprehensively upgrade the B2B e-commerce platform and optimise the customers' experience

The Group will push forward the upgrade and iteration of the PC terminal, WAP mobile terminal and WeChat public account of its e-commerce platform, to achieve better users' application experience. The Group will materialize its B2B marketing strategy by leveraging tools such as Hybris out-of-the-box solutions, social media and mobile marketing, to attract the existing end users of pharmacies to its online platform and provide the channel to connect the online e-commerce platform with offline stores. The Group seeks to fully realize online sales for more than 10,000 small and medium-sized pharmacy stores by 2018, and to offer a different distribution experience for end customers.

FINANCIAL REVIEW

Turnover

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Sales of goods	**3,640,925**	3,381,222
Services income	**28,003**	15,911
Total turnover	**3,668,928**	3,397,133

The turnover of the Group in 2016 was RMB3,668.93 million, increased by 8.00% as compared to last year.

	For the year ended 31 December	
Customer type	**2016**	2015
	RMB'000	*RMB'000*
Distributors	**2,547,674**	2,400,620
Retail pharmacy stores	**1,026,163**	917,918
Hospitals, clinics, health centres and others	**67,088**	62,684
Total sales of goods	**3,640,925**	3,381,222

During 2016, we generated substantially all of our turnover from sales of goods to (i) distributor customers; (ii) retail pharmacy stores and (iii) hospitals, clinics, health centres and others. In 2016, over 98% of our total sales was derived from distributor customers and retail pharmacy stores.

Our turnover from sales of goods increased in 2016 primarily attributable to the increase in sales to distributor customers and retail pharmacy stores.

Our turnover from sales to distributor customers increased during 2016 mainly due to (i) our continued expansion of distribution network in Southern China and our number of distributor customers increased from 745 customers in 2015 to 783 customers in 2016; and (ii) the increase in sales volume to distributor customers as a result of the increase in the number of products sold by us as a primary distributor from 3,794 in 2015 to 4,509 in 2016.

Our turnover from sales to retail pharmacy stores increased during 2016 mainly due to our continued marketing efforts on the expansion of retail pharmacy stores network to prepare for our expansion of B2B e-commerce business, which increased the sales of products to retail pharmacy stores and distributor customers, and our number of retail pharmacy stores increased from 3,256 in 2015 to 3,496 in 2016.

Cost of sales, gross profit and gross profit margin

The cost of sales of the Group increased by 7.93% to RMB3,488.63 million for the year ended 31 December 2016 from RMB3,232.43 million for the year ended 31 December 2015. The increase in cost of sales was in line with the increase in turnover from sales of products.

The gross profit of the Group increased by 9.47% to RMB180.30 million for the year ended 31 December 2016 from RMB164.70 million for the year ended 31 December 2015. The gross profit margin of the Group increased to 4.91% for the year ended 31 December 2016 from 4.85% for the year ended 31 December 2015. The increase in the gross profit margin of the Group was primarily due to (i) the increase in proportion of sales to retail pharmacy stores in 2016 which generally have higher gross profit margin as the retail pharmacy stores usually sell the pharmaceutical products directly to consumers; (ii) phasing-out of products with lower turnover rate and gross profit margin; and (iii) the increase in purchase discount from our manufacturer suppliers primarily attributable to the increase in procurement of products from us as a primary distributor from 3,794 in 2015 to 4,509 in 2016.

Other income

In 2016, other income increased by 113.76% to RMB11.79 million (2015: RMB5.51 million), mainly due to the increase of (i) government subsidies of RMB2.69 million and (ii) exchange gains of RMB5.45 million.

Selling and distribution expenses

The selling and distribution expenses increased by 19.42% to RMB48.12 million in 2016 (2015: RMB40.30 million), mainly due to (i) the holding customer appreciation listing banquet to maintain the relationship with them; (ii) the increase in marketing expenses corresponding to the increase in our sales and (iii) the increase in sales staff salaries and other allowances, contribution to retirement benefits schemes, for maintaining a competitive remuneration package in the industry.

Administrative expenses

The administrative expenses in 2016 decreased by 26.11% to RMB47.47 million (2015: RMB64.25 million), mainly because no listing expense was incurred which belonged to non-recurring expense in 2016 (2015: RMB23.87 million). Compared to the administrative expenses (excluding listing expenses) in 2015, the administrative expenses increased by RMB7.09 million in 2016, mainly due to (i) the increase in expenses for professional advisers engaged upon the listing of the Group; (ii) the increase in expenses related to the upgrade of information-based system and (iii) the increase in staff salaries and other allowances, contribution to retirement benefits schemes.

Finance costs

The finance costs in 2016 decreased by 31.09% to RMB16.61 million (2015: RMB24.10 million), mainly due to the decrease in the interest expenses on borrowings and bill charges on discounted bills resulted from the decrease in the benchmark interest rate in PRC. The proportion of finance cost to turnover was 0.45% in 2016 as compared to 0.71% in 2015.

Income tax expense

In 2016, the income tax expense of the Group was RMB20.54 million, increasing by 34.98% as compared with that of RMB15.22 million in 2015, mainly due to the increase in profit before taxation. The effective tax rate (income tax divided by profit before taxation) decreased by 10.89 percentage points to 25.71% in 2016 from 36.60% in 2015, mainly because no listing expense was incurred in 2016 and different accounting treatment between the PRC accounting standards and HKAS in computing the profit before taxation.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company increased by 125.15% to RMB59.35 million in 2016 from RMB26.36 million in 2015, mainly due to (i) the increase in turnover and gross profit of the Group; and (ii) no listing expense incurred which belonged to non-recurring expense in 2016 (2015: RMB23.87 million).

Property, plant and equipment

As at 31 December 2016, the net carrying value of the Group's property, plant and equipment was RMB130.01 million, which represented an increase of RMB12.34 million as compared to 2015. The increase was mainly due to (i) the new purchase of 23 refrigerated transportation vehicles and (ii) the new purchase of SAP software, facilities and auxiliary hardware equipment during 2016.

Liquidity and financial resources

As at 31 December 2016, the cash and bank balances of the Group was RMB119.57 million, while the cash and bank balances was RMB155.63 million as at 31 December 2015.

At at 31 December 2016 and 31 December 2015, the Group recorded net current assets of RMB228.31 million and RMB199.40 million respectively. As at 31 December 2016, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.13 (2015: 1.12).

The bank borrowings of the Group as at 31 December 2016 were RMB421.36 million. All of the bank borrowings were provided by the banks within the PRC, which bear interest at fixed interest rate. The unit of the carrying amount of the bank borrowings is RMB, which is approximate to the fair value. The Group did not use any financial instruments for hedging purposes or any existing borrowings and/or other hedging instruments for hedging net foreign currency investments.

Trade and other receivables

The trade and other receivables of the Group mainly include trade receivables, bills receivables, prepayments and other receivables. As at 31 December 2016, the amount of trade and other receivables of the Group was RMB1,169.60 million, which represented an increase of RMB143.73 million as compared to the amount of the trade and other receivables as at 31 December 2015, mainly due to the increase in bills receivables and prepayments of RMB157.90 million as compared to 2015 following the increase in turnover, representing a growth rate of 109.90%.

Trade and other payables

The trade and other payables of the Group mainly include trade payables, bills payables, receipt in advance, other tax payables, accrued expenses and other payables. As at 31 December 2016, the amount of trade and other payables of the Group was RMB1,352.80 million, which represented a decrease of RMB2.83 million as compared to the amount of trade and other payables as at 31 December 2015, mainly due to the decrease in value-added tax payables. Bills payables increased by 6.02% to RMB823.86 million as compared to 2015.

Financial ratios

	For the year ended 31 December	
	2016	2015
Net profit margin	**1.62%**	0.78%
Gearing ratio	**0.93**	0.70
Net debt to equity ratio	**0.67**	0.33

The net profit margin of the Group (based on the calculation of net profit divided by turnover) for the year ended 31 December 2016 was 1.62% as compared to 0.78% in 2015.

The gearing ratio of the Group as at 31 December 2016 (based on the calculation of total borrowings divided by total equity) was 0.93 as compared to 0.70 in 2015.

The net debt to equity ratio of the Group as at 31 December 2016 (based on the calculation of total borrowings net of cash and cash equivalents divided by total equity) was 0.67 as compared to 0.33 in 2015.

Treasury policy

The Group adopts a prudent financial management strategy in implanting the treasury policy. Thus a sound liquidity position was able to be maintained throughout the period under review. The Group continues to assess its customers' credit and financial positions so as to minimize the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

Foreign currency exchange risk

The transactions of the Group are mainly denominated in RMB. Except for part of the unused funds raised from listing which are denominated in HK$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong, most of the assets and all liabilities are denominated in RMB. The Group's deposits which are denominated in HK$ and deposited in designated accounts of commercial banks within the PRC and Hong Kong are subject to exchange risks. During the year, the Group did not use any financial instruments for hedging the foreign currency risk.

Interest rate risk

For the year ended 31 December 2016, the Group had no bank borrowings which bears a floating interest rate (2015: RMB183.48 million).

Capital structure

For the year ended 31 December 2016, there have been no changes on the capital structure of the Company. The capital structure of the Company comprises of bank borrowings, secured bank deposits, bank balances and cash as well as equity attributable to the owners of the Company (including paid-up share capital and reserves).

Capital commitment

As at 31 December 2016, the Group had no material capital commitment.

Employees' information

As at 31 December 2016, the Group had a total of 659 employees, including the executive Directors. The total staff cost (including emoluments of directors and supervisors) was RMB41.44 million, as compared to RMB32.33 million for the year ended 31 December 2015, representing a growth rate of 28.18%. The emoluments were determined with reference to the market practice and the performance, qualification and experience of individual employees.

The employees are entitled to bonus based on the results of the Group and individual performances other than basic salaries. Other staff benefits include other related insurances set up for the employees employed by the Group in accordance with the rules and regulations under Labour Law, Employment Contract Law, Social Insurance Law of the PRC and the rules of current related regulatory requirements of the PRC.

The salaries and benefits of the employees of the Group are kept at a competitive level. The employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually.

Change of auditor

The Company did not change the auditor over the past three years.

Material investments, acquisitions and disposals being held

Save as its investments in the subsidiary, the Group did not hold any material investments, acquisitions and disposals in the equity interests of any other companies for the year ended 31 December 2016.

Future plans related to the material investments and capital assets

Save as disclosed in the Prospectus, the Group has no other future plans related to the material investments and capital assets.

Material acquisitions and disposals related to the subsidiary, associates and joint ventures

During the year ended 31 December 2016, the Group had no material acquisitions and disposals related to the subsidiary, associates and joint ventures.

Pledge of assets

As at 31 December 2016, the Group was granted a credit limit of RMB760.52 million by various banks while the Group's utilized banking facilities in a total amount of RMB723.57 million, which were secured by (i) property, plant and equipment held by the Group with carrying amount of RMB86.33 million as at 31 December 2016; (ii) land use rights held by the Group with carrying amount of RMB96.35 million as at 31 December 2016; and (iii) inventories with carrying amount of RMB250.00 million as at 31 December 2016.

Contingent liabilities

As at 31 December 2016, the Group had no material contingent liabilities (2015: Nil).

DIVIDEND

The Board recommends the distribution of a final dividend of RMB0.20 per Share for the year ended 31 December 2016 (tax inclusive), which is subject to the approval by the Shareholders of the Company at the annual general meeting (the "**AGM**") to be convened on 2 June 2017 and, if approved, will be paid on or before 17 July 2017. The dividend of domestic shares will be paid in RMB, whereas that of H shares will be paid in HK$. The Company will publish a circular in respect of among others, the record date of H share dividend payment and the relevant dates when the registration of the H shares of the Company will be closed, when appropriate.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members of the Company to attend the forthcoming AGM to be held on 2 June 2017, the register of members of the Company will be closed from 3 May 2017 to 2 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 pm on 2 May 2017.

CORPORATE GOVERNANCE PRACTICES

The Company had been complying with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") for the year ended 31 December 2016, save for the deviation as stated below:

Under code provision A.2.1, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Yao Chuanglong is our Chief Executive Officer, and he also performs as the chairman of our Board as he has considerable experience in the pharmaceutical distribution industry. Our Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code ("**Model Code**") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of conduct in dealings with securities for the Directors and supervisors of the Company. Having made enquiries with all Directors and supervisors of the Company, the Company confirmed that all Directors and supervisors have complied with the required standard set out in the Model Code for the year ended 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2016, the Company and its subsidiary have not purchased, sold or redeemed any listed securities of the Company.

IMPORTANT EVENTS AFTER THE END OF REPORTING PERIOD

On 13 March 2017, the Company entered into a capital contribution agreement with the owner of Zhuhai Hengxiang Pharmaceutical, to increase the Company's contribution to the registered capital of Zhuhai Hengxiang Pharmaceutical to 70% of its equity interest and become its controlling shareholder, at a consideration of RMB18.00 million.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") consists of three members and three of them are independent non-executive Directors, namely Mr. Wan Chi Wai Anthony (Chairman), Mr. Zhou Tao and Mr. Guan Jian. The Audit Committee reports to the Board and has held regular meetings to review and make recommendations to improve the Group's financial reporting process and internal controls. Other than that, the primary duties of the Audit Committee are to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting and overseas internal control of the Company.

The Audit Committee of the Company, together with the management of the Company and the external auditor, had conducted review on the accounting principles and policies adopted by the Group and audited consolidated Financial Statements for the year ended 31 December 2016.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chmyy.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2016 will be dispatched to Shareholders of the Company and published on the above websites in due course.

By order of the Board
Charmacy Pharmaceutical Co., Ltd.
Yao Chuanglong
Chairman

Hong Kong, 21 March 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Yao Chuanglong, Ms. Zheng Yuyan, Mr. Fan Jianbo and Mr. Lin Zhixiong; the non-executive Director is Ms. You Zeyan; and the independent non-executive Directors are Mr. Wan Chi Wai Anthony, Mr. Zhou Tao and Mr. Guan Jian (also known as Guan Suzhe).