武夷药业
Wuyi Pharmaceutical

WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED
武夷國際藥業有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1889)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 AND RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

Revenue increased by 1.1% to RMB555.7 million

Gross profit increased 1.4% to RMB119.6 million

Gross profit margin remain unchanged at 21.5%

Profit for the year increased by 193.6% to RMB41.2 million

Earnings per share increased by 192.3% to RMB2.4 cents

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015, together with the comparative figures of the year ended 31 December 2014.

The Group's financial information for the year ended 31 December 2015 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company's independent auditor and the Company's audit committee. The Group has agreed with the auditor as to the contents of this results announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015** *RMB'000*	2014 *RMB'000*
Revenue	*5*	**555,652**	549,625
Cost of sales		**(436,045)**	(431,601)
Gross profit		**119,607**	118,024
Other revenue and other net income		**1,978**	1,846
Net gain on disposal of land use rights and property, plant and equipment	*6*	**35,003**	—
Distribution costs		**(44,112)**	(63,789)
Administrative and other expenses		**(52,660)**	(48,299)
Finance costs	*7(a)*	**(2,241)**	(978)
Impairment loss on land use rights		–	(3,225)
Impairment loss on property, plant and equipment		–	(44,775)
Profit/(loss) before taxation	*7*	**57,575**	(41,196)
Income tax	*8*	**(16,372)**	(2,833)
Profit/(loss) for the year attributable to owners of the Company		**41,203**	(44,029)
Other comprehensive income for the year		–	–
Total comprehensive income/(loss) for the year attributable to owners of the Company		**41,203**	(44,029)
Earnings/(loss) per share – Basic and diluted	*10*	**RMB2.4 cents**	RMB(2.6) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	**2015**	2014
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**796,531**	812,666
Land use rights		**52,632**	59,041
Intangible assets		**–**	–
Deferred tax assets		**64,478**	64,262
Deposits paid for acquisition of a subsidiary	*11*	**52,875**	–
		966,516	935,969
Current assets			
Inventories		**30,785**	29,195
Trade and other receivables	*12*	**142,384**	138,417
Cash and cash equivalents	*13*	**555,247**	480,461
		728,416	648,073
Current liabilities			
Trade and other payables	*14*	**94,800**	97,427
Secured bank loans	*15*	**35,000**	15,000
Current taxation		**5,045**	3,898
		134,845	116,325
Non-current liabilities			
Deferred tax liabilities		**14,622**	16,330
Net assets		**1,545,465**	1,451,387
Capital and reserves			
Share capital	*16*	**18,527**	17,098
Reserves		**1,526,938**	1,434,289
Total equity attributable to owners of the Company		**1,545,465**	1,451,387

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

Wuyi International Pharmaceutical Company Limited (the "Company") was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law") and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007. The addresses of the registered office and principal place of business of the Company are 4/F., Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and Unit 1113, 11/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong respectively. The principal activities of its principal subsidiaries are the development, manufacturing, marketing and sales of pharmaceutical products.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

- Amendments to HKAS 19, *Employee benefits: Defined benefits plans: Employee contributions*
- *Annual improvement to HKFRSs 2010-2012 Cycle*
- *Annual improvements to HKFRSs 2011-2013 Cycle*

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

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Group's chief executive officer, being the chief operating decision maker, that are used to make strategic decisions.

The Group manages its businesses by business lines. The Group has only one reportable operating segment which is the development, manufacturing, marketing and sales of pharmaceutical products. Therefore, there is no presentation of operating segment information. In addition, as the Group's revenue from external customers and the majority of the non-current assets of the Group are located in the PRC for both years, no geographical information is presented.

During 2015 and 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE

The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products.

Revenue represented the invoiced value of goods sold by the Group to external customers after deducting goods returned, trade discounts and sales tax.

	2015	2014
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**555,652**	549,625

6. NET GAIN ON DISPOSAL OF LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2015, the Group has disposed property, plant and equipment and land use rights with carrying amounts of RMB36,411,000 (2014: Nil) and RMB5,074,000 (2014: Nil) respectively, resulting in a gain on disposal of approximately RMB35,003,000 (2014: Nil).

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

	2015	2014
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowing wholly repayable within five years	**2,241**	978
(b) Staff costs		
Directors' and chief executive officer's emoluments	**3,391**	3,349
Other staff costs		
– Contributions to defined contribution retirement benefits scheme	**6,729**	4,750
– Salaries, wages and other benefits	**44,242**	42,526
Total staff costs *#	**54,362**	50,625
(c) Other items		
Depreciation of property, plant and equipment *#	**73,345**	65,031
Amortisation of land use rights	**1,335**	1,430
Auditor's remuneration	**838**	640
Net foreign exchange gain	**(84)**	(21)
Impairment loss on property, plant and equipment	**–**	44,775
Impairment loss on land use rights	**–**	3,225
Operating lease payments in respect of rented premises	**1,344**	1,168
Cost of inventories#	**436,045**	431,601
Research and development costs *	**4,550**	2,652

Cost of inventories includes approximately RMB79,891,000 (2014: approximately RMB74,639,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

* Research and development costs includes approximately RMB4,524,000 (2014: approximately RMB2,536,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

8. INCOME TAX

	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")	**19,546**	8,205
Over-provision in respect of prior years	**(1,250)**	–
Deferred taxation	**(1,924)**	(5,372)
	16,372	2,833

a) PRC EIT is calculated at 25% (2014: 25%) in accordance with the relevant laws and regulations in the PRC.

b) No provision for Hong Kong profits tax have been made as the Group had no assessable profits in Hong Kong for the year ended 31 December 2015 (2014: Nil).

9. DIVIDENDS

The directors of the Company do not recommend the payment of final dividend for both years ended 31 December 2015 and 2014.

10. EARNINGS/(LOSS) PER SHARE

a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB41,203,000 (2014: loss of approximately RMB44,029,000) and the weighted average of 1,716,331,400 ordinary shares (2014: 1,709,772,500 ordinary shares) in issue during the year.

b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share equals basic earnings/(loss) per share as there were no dilutive potential ordinary shares outstanding during both years ended 31 December 2015 and 2014.

11. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 9 December 2015, Fujian Sanai Pharmaceutical Company Limited, an indirect wholly-owned subsidiary of the Company, entered an agreement ("Share Transfer Agreement") with two independent third parties, namely Mr. Lin Wei Yan and Mr. Chen Zi Xian (the "Vendors"), in which each of them owned 50% of equity interest in Fujian Liumai Medical Services Company Limited ("Fujian Liumai") as at 9 December 2015, that the Vendors conditionally agreed to sell 100% equity interest in Fujian Liumai at consideration of HK$145,000,000 (the "Acquisition") in which HK$65,000,000 shall be settled by allotting and issuing 171,000,000 consideration shares at the issue price of HK$0.38 and HK$80,000,000 shall be settled in cash. As at 31 December 2015, a total of 171,000,000 shares were issued by the Company as part payment of the consideration (note 16). The fair value of consideration shares issued was RMB52,875,000.

12. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**131,417**	138,103
Other receivables	**10,575**	–
Loans and receivables	**141,992**	138,103
Prepayments and deposits	**392**	314
	142,384	138,417

The Group normally grants credit terms of 60 days (2014: 60 days) to its customers. The following is an ageing analysis of trade receivables at the end of the reporting period, presented based on the invoice date:

	2015	2014
	RMB'000	*RMB'000*
0-30 days	**65,372**	70,774
31-60 days	**66,045**	67,329
	131,417	138,103

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprise cash at bank and on hand. During the year, the bank deposits of the Group carried interest at rates ranging from Nil to 0.35% (2014: Nil to 0.35%) per annum.

14. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*RMB'000*
Trade payables		
– a related company *(note (i))*	**1,051**	943
– others	**54,080**	61,112
	55,131	62,055
Amount due to a related party *(note (ii))*	**163**	408
Payroll and welfare payables	**8,481**	8,901
Payable for acquisition of property, plant and equipment	**1,500**	6,339
Accrued charges	**6,506**	6,974
Other payables	**1,341**	1,352
Financial liabilities measured at amortised cost	**73,122**	86,029
Other PRC tax payables	**21,678**	11,398
	94,800	97,427

Note:

i) The related company is 福州宏宇包裝工業有限公司 (Fuzhou Hongyu Packing Co., Ltd.) ("Fuzhou Hongyu"), a company controlled by Mr. Lin Ou Wen, who is a director, the chief executive officer and a shareholder of the Company. The balance is unsecured, interest-free and repayable on demand.

ii) The related party is Mr. Lin Qing Xiang, who is a brother of Mr. Lin Ou Wen and Mr. Lin Qing Ping. Mr. Lin Ou Wen is the chief executive officer, director and shareholder of the Company, and Mr. Lin Qing Ping is the director and shareholder of the Company. The balance is unsecured, interest-free and repayable on demand.

The ageing analysis of trade payables based on the invoice date is as follows:

	2015	2014
	RMB'000	*RMB'000*
0 to 30 days	**41,102**	44,532
31 to 60 days	**14,029**	17,523
	55,131	62,055

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

15. SECURED BANK LOANS

The analysis of the carrying amount of secured bank loans is as follows:

	2015	2014
	RMB'000	*RMB'000*
Secured bank loans	**35,000**	15,000

At 31 December 2015 and 2014, interest-bearing bank loans are due for repayment within 1 year and carried at amortised cost. The amount due is based on the scheduled repayment date as stipulated in the respective loan agreement.

At 31 December 2015, land use rights with a net book value of approximately RMB41,239,000 (2014: RMB37,787,000) and property, plant and equipment with a net book value of approximately RMB53,130,000 (2014: nil) were pledged to a bank as collateral against the bank loans. The bank loans carry interest at fixed rate of 5.01% and 6.44% respectively (2014: 6.9%) per annum and are repayable within 1 year. The security will be released upon full settlement of the loan.

16. SHARE CAPITAL

	2015		2014	
	No. of shares ***('000)***	***RMB'000***	No. of shares *('000)*	*RMB'000*
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**1,709,773**	**17,098**	1,709,773	17,098
Issue of consideration shares	**171,000**	**1,429**	–	–
End of the year	**1,880,773**	**18,527**	1,709,773	17,098

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary share rank equally with regard to the Company's residual assets.

17. CAPITAL COMMITMENTS

	2015	2014
	RMB'000	*RMB'000*
Capital commitments contracted for but not provided for in the financial statements in respect of:		
– acquisition of intangible assets	**1,092**	8,100
– acquisition of property, plant and equipment	**774**	3,500
	1,866	11,600

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The Company's auditor has issued qualified opinion on the Group's consolidated financial statements for the year ended 31 December 2015, an extract of which is as follows:

BASIS FOR QUALIFIED OPINION

As described in note 20 to the consolidated financial statements, the Group has paid a deposit of RMB52,875,000 for the acquisition of a subsidiary (the "Subsidiary"). The directors are of the opinion, based on the business valuation prepared by an PRC valuer engaged by the vendor, the market value of the Subsidiary as at 31 October 2015 was approximately RMB148,505,000 which exceeds the total consideration amount and that no impairment on deposit paid for the acquisition of a subsidiary is necessary.

The business development of the Subsidiary is still at the early stage and have not yet commenced any principal activities and generate sufficient operating cash flow associated with it. In the absence of information (i) used in the valuation as of 31 October 2015 provided by the vendor and its valuer and (ii) update for changes up to date of deposit paid and the end of the reporting period, we are unable to obtain sufficient reliable evidence to satisfy ourselves as to the (i) correctness of the calculation of the market value of the Subsidiary; (ii) reasonableness of the bases and assumptions used by the valuer in arriving at the business valuation; and (iii) any change considered necessary in the valuation from 31 October 2015 to the date of deposit paid and up to date of the reporting period and consequently as to whether the carrying amount of the deposit paid for the acquisition of a subsidiary is fairly stated and disclosed at the end of the reporting period. There is no other practical alternative audit procedures that we could perform to obtain sufficient audit evidence regarding the carrying amount of deposit paid for the acquisition of a Subsidiary and the market value of the Subsidiary up to the date of deposit paid and at the end of the reporting period. Any adjustments that might have been found to be necessary in respect of the carrying amount of the deposit paid for the acquisition of a subsidiary as at 31 December 2015 would have a consequential effect on the Group's net assets as at 31 December 2015, and the Group's profit for the year then ended and related disclosures in these financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the financial position of the Company and its Subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the pharmaceutical industry in China was overall under pressure. The growth rate of the Chinese pharmaceutical industry further slowed down as some provincial level biddings increased the pressure for reduction in prices, the policy of controlling medical insurance premium was launched and the entry barrier of the industry was raised. Costs of raw materials, packaging materials and direct labour also continued to rise. Pharmaceutical enterprises encountered tough challenges. The Group carefully considered the circumstances, enriched the product lines, constantly enhanced production efficiency and improved marketing and promotion strategies in response to market needs, leading to good performance of the Group during the year. Meanwhile, quality projects related to medical care were acquired to expand the potential for business development, enhance profitability and facilitate long-term development of the Group.

The Group completed the disposal of land and property owned by Fuzhou Sanai Pharmaceutical Co., Ltd. ("Fuzhou Sanai"), a wholly-owned subsidiary of the Group in the first half of the year. The gain from the disposal amounted to approximately RMB35.0 million and was applied as general working capital to improve the cash flow and liquidity of the Company. The previous production capacity of Fuzhou Sanai resumed at the new plant in Haixi Industrial and Trading Development Zone in Jianyang, Fujian Province in September 2015. Coordination of the new plant is expected to be completed soon, realizing the advantage of full capacity.

For the year ended 31 December 2015, the revenue of the Group increased by 1.1% to approximately RMB555.7 million (2014: approximately RMB549.6 million). The overall gross profit was approximately RMB119.6 million and the gross profit margin was approximately 21.5%, which is the same as that for 2014. Such increase in revenue was mainly due to the introduction of four new Western medicine products in the year and their revenue partly offset the pressure from increasing labour costs. In addition, benefiting from the gain from the disposal of land and property owned by Fuzhou Sanai and the lack of impairment loss for non-current assets during the year, the Group had a turnaround from loss to profit during the year. The profit attributable to the owners of the Company amounted to RMB41.2 million (2014: a loss of RMB 44.0 million).

To effectively assist the Group to expand its market share in pharmaceutical industry throughout the PRC, and generate synergy in areas including distribution channels for pharmaceutical products and daily operation, the Group acquired 100% equity interests in Fujian Liumai Medical Services Co., Ltd. ("Fujian Liumai") at a consideration of HK$145.0 million, of which HK$80.0 million shall be paid in cash and HK$65.0 million shall be settled by issuing 171.0 million consideration shares. The detailed terms of acquisition were set out in the announcement of the Company dated 10 December 2015. Upon completion of the acquisition, Fujian Liumai will become a wholly-owned subsidiary of the Group. The Group will capitalize on its ten millions pieces of information and resources relating to appointments to diagnosis and treatment as well as several millions pieces of information and resources relating to infants' vaccinations, in order to expand the business scope of the Group and create new growth points of profit.

DEVELOPMENT OF MAJOR PRODUCTS

Perilla Oil Capsule

Perilla Oil Capsule is one of the key products of the Group. It is effective in lowering cholesterol, reducing low-density lipoprotein and increasing high-density lipoprotein. It has clear effect for hyperlipidemia and has mild side effect. For the year ended 31 December 2015, the turnover amounted to approximately RMB39.7 million, accounting for 7.1% of the Group's turnover (2014: approximately RMB43.6 million, accounting for 7.9% of the Group's total turnover). The decrease in sales was mainly attributable to the suspension due to disposal of related manufacturing plants and equipment by Fuzhou Sanai and the inability to meet market demand due to inventory shortage. As the production of the new plant in Haixi Industrial and Trading Development Zone resumed in September, the sales of Perilla Oil Capsule will fulfill the increasing market demand. Furthermore, the Group will continue seeking to have Perilla Oil Capsule listed in the national medical insurance directory. The sales is expected to further increase after its listing in the national medical insurance directory.

N(2)-L Alanyl-L Glutamine Injectible

In 2015, the turnover of N(2)-L Alanyl-L Glutamine Injectible amounted to approximately RMB37.4 million, representing a decrease of approximately 25.7% compared to the same period last year and accounting for approximately 6.7% of the total revenue of the Group (2014: approximately RMB50.4 million, accounting for approximately 9.2% of the total revenue). Given the very keen market competition and the lower prices due to generic products produced by other manufacturers, the share of turnover of this product has decreased.

Lurong Koufuye

Lurong Koufuye of the Group has apparent effectiveness on sub-optimal health and is popular in the market. In 2015, its turnover amounted to approximately RMB33.6 million, representing an increase of approximately 16.3% compared with last year and accounting for approximately 6.0% of the Group's total revenue (2014: approximately RMB28.9 million, accounting for approximately 5.3% of total revenue).

Compound Chinese Angelica Injectible

Compound Chinese Angelica Injectible had a better growth in sales in 2015 with an upward adjustment of the price by over 10%. Its turnover amounted to approximately RMB18.8 million, representing a significant increase of approximately 75.7% compared with last year and accounting for approximately 3.4% of the Group's total revenue (2014: approximately RMB10.7 million, accounting for approximately 1.9% of total revenue).

Other products

In 2015, the Group introduced four new products, which are Western prescription medicines, including (plastic bottle) sodium chloride injectible, (plastic bottle) 5% glucoses injectible and two (plastic bottle) 10% glucose injectibles of different volumes. As their prices are competitive, the performance of the sales of these new products was good and their turnover for the year amounted to approximately RMB17.3 million, accounting for approximately 3.1% of total revenue.

In 2014, the Group introduced six Western prescription injectible products under the strategy of lower profit margin but higher turnover. Although their gross profit margins are lower than those of other products of the Group, their sales remained stable and successfully drove the sales of other products. In 2015, the turnover of these six new products amounted to approximately RMB54.3 million, accounting for approximately 9.8% of total revenue (2014: approximately RMB59.4 million, accounting for 10.8% of total revenue).

In addition, in response to market conditions, the Group increased the prices of some products, of which the prices of glucose and sodium chloride injectible (glass bottle) and compound male fern rhizome and aspirin increased by 26.0% and 52.2%, respectively.

Development of new medicines

Currently, there are many new drug projects awaiting approval in China and the approval progress is slow. The prospect of R&D of the entire industry is uncertain. According to the market conditions and industry environment, the Group controlled research and development expenditure for new drugs cautiously, focused resources on promoting the research of new medical treatment results of Perilla Oil Capsule and conducted the research on the anti-hepatitis compound drug liver & gall bladder tablets in cooperation with the Department of Medicine of Peking University. The Company will suspend new investment in R&D until the prospect of approval becomes clear.

Another new product of the Group, Pazufloxacin Mesilate Injectible, was still undergoing approval procedures during the year.

Sales agency for drugs

Fujian Sanai Pharmaceutical Trading Co., Limited was the agency of seven types of drugs mainly sold in the five provinces and cities of Fujian, Zhejiang, Jiangsu, Liaoning and Beijing during the period. Sales revenue amounted to approximately RMB12.3 million during the year, accounting for approximately 2.2% of the Group's total turnover, which is comparable with last year.

SALES NETWORK AND MARKETING

The Group's sales network covers 21 key provinces, cities and autonomous regions around the country, mainly covering the more affluent coastal cities and provinces of the eastern region and the northeastern region of China. The number of distributors for the Group amounted to 58 during the year, adding 1 more but losing 2 compared with 2014. The Group will continue to aggressively explore the rural market with potential in demand. Sales from the rural market amounted to approximately 13.3% of our total turnover in 2015 at approximately RMB74.2 million (2014: approximately RMB 69.2 million, accounting for 12.6% of total turnover), approximately 7.2% up compared with 2014. It was mainly because the production output of ordinary medicines of the new plant zone increased, and the Group could better penetrate in the market in the rural markets with medical insurance. In the future, it will strive for exploring the market in the rural markets, raising the sales volume of ordinary medicines.

In 2015, the Group furthered reduced its investment in advertising resources substantially and invested in other areas with more apparent benefits. The Group will continue to participate in academic and new medicine promotion seminars, as well as medicine fairs to introduce the advantage of various medicines.

OUTLOOK

This is the commencing year of the 13th Five-Year Plan, where medical reform continues to be the nationwide focus. In the past year, the central government actively promoted medical reform. Over 20 documents deepening medical reform policies were introduced frequently, including the launch of a new round of drug procurement bidding and re-adjustment of the essential drug list. The industry is facing the opportunities and challenges caused by a profound reform. As the government cancels the approval of eligibility for designated pharmacy under basic medical insurance and it is hopeful that the online platform for selling prescription drugs will be open, it is expected to stimulate market demand and boost the growth of sales of prescription drugs in the coming year.

In addition, "Internet + Pharmaceutical" has become vital in the future strategic planning of the industry. With a continuously aging population and full implementation of two-child policy, the medical care market will continue to expand, further revealing the inelastic demand. To follow the market trend, the traditional pharmaceutical industry is undergoing an upgrade. Through the combination with the Internet industry, which includes stronger data analysis, more humanized and better personal health management services and health solutions for health care and chronic disease management are provided, achieving development of the macro healthcare industry. The macro healthcare industry will continue to deepen, covering various medical and healthcare services and bringing immense business opportunities.

Follow market trend and transit to a modern pharmaceutical service provider

To seize the opportunities led by the macro healthcare industry, the Group made a significant achievement in its transition to a modern pharmaceutical service provider by acquiring Fujian Liumai. Fujian Liumai is an enterprise with core business in digital medical and healthcare services. It is committed to serve pharmaceutical companies, participants in health insurance industry and medical practitioners in areas including analysis and application of healthcare information. The Group believes that the acquisition is beneficial to optimizing the supply chain of the modern pharmaceutical services of the Group, expanding the business scale of pharmaceutical product distribution and increasing the market share in the pharmaceutical industry in China, making preparation for the Group's continuous development.

Improve strategy to optimize online platform and offline sales

In anticipation of the policy of opening up online drug purchase, the Group vigorously develops its online sales platform and strengthens its cooperation with e-commerce in preparation for the opening of online sales. The online shopping market in China is well-developed and the overall retail scale of drug may increase significantly once the policy is launched. The Group actively arranges to further improve the layout of online and offline sales. It also optimizes its logistic network to increase its market share.

Fully utilize capital to improve industry strategy through quality acquisition projects

The Group will fully utilize the existing capital and the financing platform of listed company. By acquiring a range of quality projects effectively related to the Group's businesses and through the operation of acquisition and integration, the management of the Group intends to continue optimizing the industry strategy and rapidly improve various revenue indicators of the Company. At the same time, the integrated competitive and risk resistance are enhanced, creating the greatest benefit for investors of the Group.

Faced with the opportunities and challenges of the future pharmaceutical industry, the Group will react promptly and flexibly and be accurately informed about market trend. While developing new drugs and promoting existing products, the sales network will be optimized to continue the improvement in profit. The highest priority is to create better value for the partners of the Group and the shareholders of the Company.

FINANCIAL REVIEW

1. Turnover

To keep consolidating the development of existing medicine business and markets, the Group adjusted the product portfolio according to market demand and adopted the sales strategies of "small profit, quick return" and focusing on rural markets. Benefiting from the four new Western medicine products with low price but higher gross profit margin and the improvement of Chinese medicine market causing increase in demand and the prices of most products remained stable, the Group recorded an overall turnover of approximately RMB555.7 million (2014: approximately RMB549.6 million), representing a slight increase of approximately 1.1%. Turnover of the second half of the year was approximately RMB 311.1 million (turnover of the first half of the year was approximately RMB244.6 million,), representing an increase of approximately 27.2% as compared with that of the first half of the year.

Turnover of 2015 was still dominated by Western medicines, we recorded a turnover of approximately RMB295.4 million in this section, accounting for approximately 53.2% of the overall turnover, representing a decrease of approximately 2.9% over last year (2014: approximately RMB304.1 million, representing approximately 55.3% of the overall turnover). Regarding the Chinese medicines, as mentioned above, demand increased as the Chinese medicine market improved. Its turnover amounted to approximately RMB248.0 million, accounting for approximately 44.6% of the overall turnover, the turnover increased approximately 6.3% (2014: approximately

RMB233.2 million, accounting for approximately 42.4% of the overall turnover). The difference in proportion of the turnover of Western medicines and Chinese medicines further reduced. In addition, the pharmaceutical trading revenue recorded a turnover of approximately RMB12.3 million, representing approximately 2.2% of the overall turnover (2014: approximately RMB12.3 million, representing approximately 2.3% of the overall turnover), which is similar to last year's proportion.

Although our key product, Perilla Oil Capsule, has obtained approval from authorities in Fujian, Shanxi, Inner Mongolia and Xinjiang for listing in the medical insurance directory, it is still in the monitoring period. However, its production and sales were affected to a certain extent as it is yet to be listed in the national medical insurance directory. Additional reasons included the suspension due to disposal of related manufacturing plants and equipment early in the year and the resumption of new manufacturing plant in Haixi Industrial and Trading Development Zone in September, causing temporary inability to meet market demand due to inventory shortage. Sales for the year amounted to approximately RMB39.7 million, representing approximately 7.1% of the overall turnover, or a slight decrease of approximately 8.9% over last year (2014: approximately RMB43.6 million, representing approximately 7.9% of the overall turnover).

Sales of the five top selling medicines amounted to approximately RMB164.5 million, representing approximately 29.6% of the overall turnover (2014: approximately RMB181.3 million, representing approximately 33.0% of the overall turnover). The four new low price products with higher gross profit margin introduced by the Group in the year including glucose injectible and sodium chloride injectible and other related products are all Western prescription medicines, their turnover for the year was approximately RMB 17.3 million, representing approximately 3.1% of the overall turnover.

2. Gross Profit and Gross Profit Margin

Gross profit of the Group slightly increased by approximately 1.4% over last year to approximately RMB119.6 million (2014: approximately RMB118.0 million). Gross profit margin amounted to approximately 21.5% (2014: approximately 21.5%), which was the same when compared with last year:

(1) Turnover: As described above, benefiting from 4 new Western prescription products with low prices but higher gross profit margin, improvement of the Chinese medicine market and the sales strategy focusing on rural market, the demand increased and offset the pressure from increasing sales costs;

(2) Cost of sales: the continuous rises in overall raw materials costs, packaging materials costs and labour costs in China market, in particular, the packaging materials and direct labour costs rose as compared with the same period last year to approximately RMB 162.7 million and RMB353.7 million respectively, or an increase of approximately 6.1% and approximately 3.1% respectively (2014: approximately RMB153.3 million and RMB343.0 million respectively), and such cost pressure has significantly led to an increase in production costs; and

(3) Depreciation expenses in cost of sales: The new plant could officially produce medicines of relevant specification starting from the beginning of 2014. The new plant and relevant production facilities acquired slightly increased the depreciation expenses in the cost of sales to approximately RMB67.8 million, representing approximately 15.6% of the overall cost of sales (2014: approximately RMB62.0 million, representing approximately 14.4%), and an increase of 9.4% over last year, where the overall proportion of sales costs increased by 1.2% over last year.

The proportion of other cost of sales, including energy and fuel costs, remained essentially the same, except that the related amounts increased with the rise in sales.

3. Profit for the year

During the year, benefiting from improvement in gross profit and net gain from disposal of parts of the Group's land use rights and property, plant and equipment, where the net gain of the disposed land use rights and property, plant and equipment amounted to approximately RMB35.0 million, the Group first recorded profit this year since 2012. The Group recorded a profit of approximately RMB41.2 million (2014: loss of approximately RMB44.0 million), representing an increase of approximately 193.6%.

The distribution costs decreased by approximately 30.9% to approximately RMB44.1 million (2014: approximately RMB63.8 million). It was mainly attributable to the relevant advertising and marketing expenses of our three wholly-owned subsidiaries in the PRC during the year totalling approximately RMB14.2 million, representing a decrease of approximately 59.0% over the same period of last year (2014: approximately RMB34.6 million). Since last year, the Group further reduced its investment in advertising resources substantially and invested it in other areas with more apparent benefits. The Group will continue to participate in academic and new medicine promotion seminars, as well as medicine fairs to introduce the advantages of various medicines.

Furthermore, in 2014, there were an impairment loss amounted to approximately totally RMB48.0 million in relation to Group's production facilities in one of the factories located in Haixi Industrial and Trading Development Zone in Jianyang city, Fujian Province. Such impairment loss was mainly attributable to non-cash accounting treatment on the impairment losses on these production facilities, and mainly to reflect the value in use of the assets. No such impairment loss was provided for non-fixed assets including any production equipment for this year.

Administrative and other expenses increased approximately 9.1% over last year to RMB52.7 million (2014: approximately RMB48.3 million). The increase was mainly attributable to research and development cost of approximately RMB1.9 million to RMB4.5 million (2014: approximately RMB2.7 million).

Finally, tax expenses of the Group were approximately RMB16.4 million in total (2014: approximately RMB2.8 million) and the effective tax rate was approximately 28.4% (2014: the effective tax rate was approximately (6.8)%). This amount included the need to withhold deferred income tax for the provision of undistributed profits for the three wholly-owned subsidiaries in the PRC of approximately RMB792,000 (2014: approximately RMB9.6 million).

4. **Liquidity, Financial Resources and Capital Structure**

As at 31 December 2015, the Group had cash and cash equivalents of approximately RMB555.2 million (2014: approximately RMB480.5 million). As at 31 December 2015, the Group's secured bank loans which were secured by land use rights and property, plant and equipment amounted to approximately RMB35.0 million (2014: RMB15.0 million). The loans were denominated in Renminbi, carried interest at fixed rates of 5.0% and 6.4% respectively (2014: 6.9%) per annum and are repayable within 1 year. The Group continued to maintain a stable financial position with low gearing and healthy cash flows. The Group generated a net cash inflow from operating activities of approximately RMB69.5 million (2014: approximately RMB39.3 million). During the year, the Group did not use any financial instruments for hedging purpose.

The Group reviewed the capital structure by using a gearing ratio. The gearing ratio representing the total debt, which includes trade and other payables and secured bank loans of the Group divided by total equity of the Group. The gearing ratio of the Group was approximately 8.4% as at 31 December 2015 (2014: approximately 7.7%).

5. **Exposure to Fluctuation in Exchange Rates**

For the year ended 31 December 2015, the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. Although the Group has certain bank balances denominated in Hong Kong dollars, the Group adopts a prudent financial policy and most of its bank deposits are in Renminbi and Hong Kong dollars. As at 31 December 2015, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks.

6. **Significant Acquisitions and Disposal of Investments**

For the year ended 31 December 2015, the Company had no other significant acquisitions and disposal of investment save as the followings:

1. On 9 December 2015, Fujian Sanai Pharmaceutical Co., Ltd. (福建三愛藥業有限公司) ("Fujian Sanai"), an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a conditional sale and purchase agreement (the "Share Transfer Agreement") with, among others, Mr. Lin Wei Yan and Mr. Chen Zi Xian, both as vendor (collectively, the "Vendors"), in relation to the acquisition of the 100% equity interests in Fujian Liumai Medical Services Co., Ltd. (福建六脈醫療服務有限公司) (the "Target Company"), a company incorporated in the PRC with limited liability, at a consideration of HK$145.0 million (subject to adjustment), in which HK$80 million to be settled in cash and the balance of HK$65.0 million to be settled by allotting and issuing 171.0 million new ordinary shares of HK$0.01 each in the Company at the issue price of HK$0.38 per share as consideration shares. Such consideration shares were issued to the Vendors' nominee on 18 December 2015.

Pursuant to the Share Transfer Agreement, the Vendors individually and jointly undertake and guarantee that based on the financial statements prepared by the auditors of Fujian Sanai, the total audited net profit after taxation of the Target Company arising from its ordinary course of business (excluding non-operating income and extraordinary income) for the financial year ending 31 December 2016 shall not be less than RMB8.0 million (the "2016 Profit Guarantee"). Adjustment to the consideration or a buy-back request by Fujian Sanai, as the case maybe, would be made if the 2016 Profit Guarantee could not be met.

The Target Company is an enterprise with core business in digital medical and healthcare services. To date, completion of the Share Transfer Agreement has not yet taken place, pending satisfaction of all the conditions precedents to the Share Transfer Agreement. To the best knowledge of the Directors, the Target Company is gradually developing its business and there is no material adverse change on the business of the Target Company that would render the 2016 Profit Guarantee failed to be met. Further details of the acquisition were disclosed in the announcement of the Company dated 10 December 2015.

2. During the year ended 31 December 2015, the Group disposed land use rights and property, plant and equipment from one of its wholly-owned subsidiaries to an independent third party with an aggregate consideration and net gain on disposal of approximately RMB76.0 million and RMB35.0 million respectively. Further details of the disposal were disclosed in the announcement of the Company dated 2 February 2015.

7. The Number and Remuneration of Employees

For the year ended 31 December 2015, the Group employed approximately 417 employees (2014: 445 employees) with a staff cost of approximately RMB54.4 million (2014: approximately RMB50.6 million). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

8. Charge on Group Assets

As at 31 December 2015, the Group charged its assets including land use rights and property, plant and equipment amounted to approximately RMB94.4 million (2014: RMB37.8 million) in favour of secured bank loans of RMB35.0 million (2014: RMB15.0 million).

9. Contingent Liabilities

As at 31 December 2015, the Group did not have any contingent liabilities (2014: Nil).

10. Capital Expenditure

For the year ended 31 December 2015, capital expenditure of the Group for property, plant and equipment and for the construction and development of existing factory located in Fujian Province for its own use in our ordinary and usual course of business amounted to approximately RMB93.6 million (2014: approximately RMB73.3 million).

11. Capital Commitments

As at 31 December 2015, the Group's capital expenditure contracted for but not provided in the financial statements amounted to approximately RMB1.9 million (2014: approximately RMB11.6 million).

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2015 (31 December 2014: Nil).

DIRECTORS' 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 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the Company's own code for securities transactions by its Directors. In addition, the Company has made specific enquiries of all Directors and each Director confirmed that during the year ended 31 December 2015, they fully complied with the required standards as set out in the Model Code.

SHARE OPTION SCHEME

The Company's share option scheme was adopted on 8 January 2007 by the way of passing resolutions by all the shareholders of the Company. For the year ended 31 December 2015, no share option was granted under the share option scheme.

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company (the "AGM") will be held on Thursday, 2 June 2016 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 May 2016 to Thursday, 2 June 2016 (both days inclusive). In order to be qualified for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 24 May 2016.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance practice, such that the interests of the Company's shareholders, customers, employees as well as the long term development of the Company can be safeguarded.

The Company has complied with the Code Provisions as set out in the Corporate Governance Code (the "Code") during the year ended 31 December 2015 as contained in Appendix 14 of the Listing Rules ensuring that the Company is up to the requirements as being diligent, accountable and professional save for the following.

In the opinion of the Board, the Company has complied with the Code during the year ended 31 December 2015 except for deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer ("CEO") of the Company. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. The Board shall nevertheless review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise. There are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests.

AUDIT COMMITTEE

The Company has established an audit committee (the "AC") with written terms of reference in compliance with the Listing Rules. The AC comprises three independent non-executive Directors. Each member can bring to the AC his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Group who among themselves possess a wealth of management experience in the accounting profession or commercial sectors.

The principal duties of the AC include the review and supervision of the Company's financial reporting system, financial statements and internal control procedures. The AC also monitors the appointment of the Company's external independent auditor. The Company's annual results announcement and annual report for the year ended 31 December 2015 have been reviewed by the AC in the meetings on 24 March 2016 and 6 April 2016, with no disagreement among all AC members, and with recommendation to the Board for approval.

The AC shall meet at least twice a year. During the year ended 31 December 2015, two meetings (on 23 March 2015 and 26 August 2015) were held and Mr. Lam Yat Cheong (Chairman), Mr. Liu Jun and Mr. Du Jian, being all members of the AC were present. At the meetings, the consolidated financial statements of the Company for the financial year ended 31 December 2014 and for the six months period ended 30 June 2015 were reviewed, and with recommendation to the Board for further approval.

The terms of reference of the AC were revised on 17 December 2015 to also include overseeing the risk management system of the Company as one of its functions and are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee (the "RC") with written terms of reference in compliance with the Listing Rules. The RC comprises three independent non-executive Directors and one executive Director. The Board has delegated the authority to the RC to review and recommend to the Board the compensation scheme of the Company to the Directors as well as to the senior management staff.

The main function of the RC is to assist the Board to oversee the Company's remuneration packages, bonus and other compensation payable to Directors and senior management and establish a transparent procedure for developing policy on such remuneration. The Board shall in consultation with the Chairman of the RC provide sufficient resources to the RC to enable it to discharge its duties.

The RC has conducted a meeting on 17 December 2015 in which Mr. Lam Yat Cheong (Chairman), Mr. Lin Ou Wen, Mr. Liu Jun and Mr. Du Jian, being all members of the RC were present. The RC assisted the Board to review the remuneration of the executive Directors and senior management and approved the remuneration packages of the executive Directors for the year 2016.

The Company has adopted a share option scheme for the senior management and employees on 8 January 2007, which serves as incentives or rewards to attract, retain and motivate staff.

The terms of reference of the RC are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

NOMINATION COMMITTEE

The Company has established a Nomination Committee (the "NC") with written terms of reference in compliance with the Listing Rules. The NC comprises three independent non-executive Directors and two executive Directors.

The main functions of the NC are to review the structure, size and composition of the Board, to identify individuals who are suitably qualified to become member of the Board, to assess the independence of the independent non-executive Directors. Having regard to the independence and quality of nominees, the NC shall make recommendations to the Board so as to ensure that all nominations are fair and transparent. The NC is also responsible for reviewing the succession planning for Directors, in particular the Chairman and the CEO. The Board shall provide sufficient resources to the NC to enable it to discharge its duties.

Pursuant to the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement at least once every three years. The retiring Directors are eligible to offer themselves for re-election.

On 17 December 2015, a NC meeting was held in which Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping, Mr. Lam Yat Cheong, Mr. Liu Jun and Mr. Du Jian, being all members of the NC were present to perform appraisal of the Directors so as to recommend to the Board for re-election in the forthcoming annual general meeting of the Company and review the independence of the independent non-executive Directors.

The terms of reference of the NC are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2015 annual report containing all the information required by the Listing Rules will be made available on our Company's website at www.wuyi-pharma.com and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEGEMENT

I would like to offer the Board's sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability.

Finally, I would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 1 April 2016 pending publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 1:00 p.m. on 6 April 2016.

By Order of the Board
Wuyi International Pharmaceutical Company Limited
Lin Ou Wen
Chairman and Chief Executive Officer

Hong Kong, 6 April 2016

As at the date of this announcement, the Board comprises 3 executive Directors, namely Mr. Lin Ou Wen (Chairman), Mr. Lin Qing Ping and Mr. Xu Chao Hui, 2 non-executive Directors, namely Mr. Tang Bin and Mr. John Yang Wang, and 3 independent non-executive Directors, namely Mr. Liu Jun, Mr. Lam Yat Cheong and Mr. Du Jian.