創美藥業股份有限公司

CHUANGMEI PHARMACEUTICAL CO.,LTD.*

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

Stock Code: 2289

2015
ANNUAL REPORT

* *For identification purpose only*

Create a healthy and beautiful life

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Yao Chuanglong (姚創龍)
Zheng Yuyan (鄭玉燕)
Fan Jianbo (范劍波)
Lin Zhixiong (林志雄)

Non-executive Director

You Zeyan (游澤燕)

Independent Non-executive Directors

Wan Chi Wai Anthony (尹智偉)
Zhou Tao (周濤)
Guan Jian (關鍵) (also known as Guan Suzhe (關蘇哲))

SUPERVISORS

Zhang Ling (張玲)
Zheng Xiyue (鄭禧玥)
Zhang Hanzi (張寒孜)

JOINT COMPANY SECRETARIES

Ng Wing Shan (吳詠珊)
Lin Zhixiong (林志雄)

AUDIT COMMITTEE

Wan Chi Wai Anthony (尹智偉) *(Chairman)*
Zhou Tao (周濤)
Guan Jian (關鍵) (also known as Guan Suzhe (關蘇哲))

NOMINATION COMMITTEE

Yao Chuanglong (姚創龍) *(Chairman)*
Zhou Tao (周濤)
Guan Jian (關鍵) (also known as Guan Suzhe (關蘇哲))

REMUNERATION COMMITTEE

Zhou Tao (周濤) *(Chairman)*
Wan Chi Wai Anthony (尹智偉)
You Zeyan (游澤燕)

RISK MANAGEMENT COMMITTEE

Yao Chuanglong (姚創龍) *(Chairman)*
Lin Zhixiong (林志雄)
Wan Chi Wai Anthony (尹智偉)

AUTHORISED REPRESENTATIVES

Zheng Yuyan (鄭玉燕)
Ng Wing Shan (吳詠珊)

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISORS

Li & Partners (as to Hong Kong law)
Xinge Law Firm (as to PRC law)

COMPLIANCE ADVISER

Guotai Junan Capital Limited

REGISTERED OFFICE AND HEADQUARTERS

No. 235, Song Shan North Road,
Longhu District, Shantou City,
Guangdong Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18/F, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

PRINCIPAL BANKS

China Guangfa Bank Co., Ltd. (Shantou Branch)
Industrial and Commercial Bank of China Limited (Shantou Branch)

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

COMPANY WEBSITE

www.chmyy.com

STOCK CODE

HK.2289

CHAIRMAN STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Chuangmei Pharmaceutical Co., Ltd. (stock code: 2289.HK) (the "**Company**"), I would like to present the audited consolidated results for the year ended 31 December 2015 of the Company and its subsidiaries (the "**Group**" or "**us**" or "**we**" or "**Chuangmei**").

BUSINESS OVERVIEW

We are one of the leading pharmaceutical distributors in the Southern China, with a comprehensive distribution network covering Southern China and surrounding areas including Fujian Province. We distribute diversified pharmaceutical products to distributors, retail pharmacies stores and hospitals, clinics, health centres and the others. As stated in the Company's prospectus dated 2 December 2015 (the "**Prospectus**"), in 2015, we were awarded as "Top 100 Private Enterprises in Guangdong Province" (廣東省民營企業100強) and "Top 100 Enterprises of Service Industry in Guangdong Province" (廣東省服務業100強) by Guangdong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會) in terms of revenue generated from pharmaceutical distribution business in 2014. We have a variety of product offerings including western medicines, Chinese patent medicines, healthcare products, Chinese medicine material and decoction pieces, medical devices and cosmetic products. We started the pilot run of the B2B e-commerce platform in June 2015 and the platform was in full operation in December 2015 in order to provide more convenient services for the customers. We will continue to strengthen, expand and integrate the existing distribution network and capabilities, as well as to proactively develop the B2B e-commerce platform and expand the product offerings so as to enlarge the customer base and enhance the market position of the Group in the Southern China.

ANNUAL PERFORMANCE FOR THE YEAR 2015

The turnover of the Group increased by 12.71% from RMB3,014.06 million in 2014 to RMB3,397.13 million in 2015 while the gross profit of the Group increased by 20.71% from RMB136.44 million in 2014 to RMB164.70 million in 2015. The gross profit margin of the Group increased to 4.85% in 2015 from 4.53% in 2014. The profit attributable to the owners of the Company decreased by 27.67% to RMB26.36 million in 2015 from RMB36.45 million in 2014, mainly due to the decrease in net profit resulted from the non-recurring listing expenses of RMB23.87 million in 2015. Should such listing expenses be excluded, the overall profitability would be increased obviously as compared to last year. The net profit margin of the Group (based on the calculation of net profit divided by turnover) in 2015 was 0.78% as compared to 1.21% in 2014. Should in the listing expenses after tax of approximately RMB19.25 million be excluded, the net profit of the Group would be approximately RMB45.61 million. The net profit margin assuming no listing expenses incurred would be 1.34% in 2015.

LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The Group established an important milestone in 2015. The Group was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 December 2015 (the "**Listing Date**").

I would like to express my gratitude to all of the professional teams and our management team for their commitment to the successful listing of the Group.

PROSPECTS

Currently, there are over ten thousands pharmaceutical distribution enterprises in the PRC, over 2,000 of which are in the Southern China, according to the statistics of China Food and Drug Administration. It is expected that a major integration will undergo in the domestic pharmaceutical industry in the future, thus eliminating the weak from the strong. Together with the separation of prescription and pharmacies in the PRC, the drug storage of the public hospitals would be transferred to the free competition market. Leveraging on the current scale, highly efficient distribution network and operating mechanism, experienced management team, and the continuous enhancement of the competitiveness of the Group, it is expected that there will be more rooms for development of the Group in the future. The Group plans to strengthen the existing distribution network and increase distribution capabilities so as to enhance operation efficiency and reduce costs. The Group plans to upgrade the existing logistic facilities and equipment of logistic centers in Shantou and Foshan in order to increase our operating efficiencies and lower our operating costs, acquire more refrigerated transportation vehicles to expand the distribution coverage, increase our available product offering to our customer and to provide enhanced transportation service, and plan to upgrade the information system to further enhance operation efficiency.

APPRECIATION

Lastly, I would like to take this opportunity to express my utmost gratitude to the management and staff of the Company for their development and contribution. I would also like to express my gratitude to all of our Shareholders for their trust and support.

Chuangmei Pharmaceutical Co., Ltd.

Yao Chuanglong
Chairman

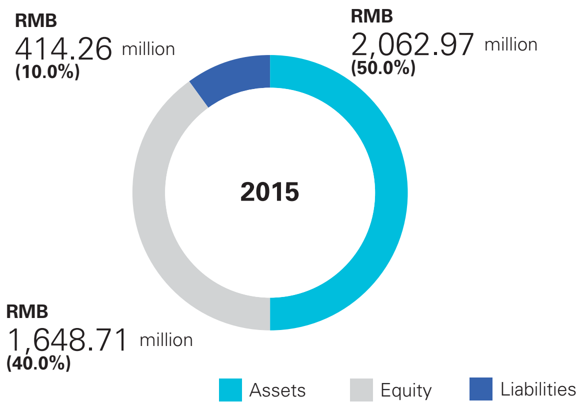
Hong Kong, 23 March 2016

FINANCIAL SUMMARY

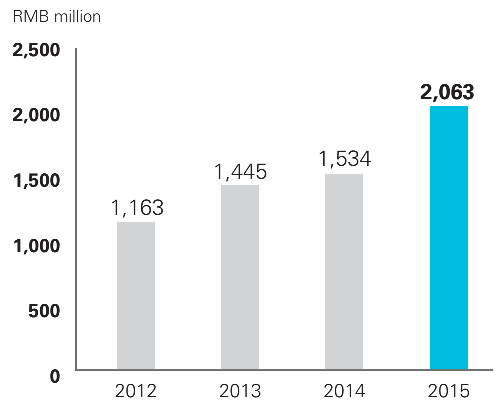
Results	For the year ended 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	**3,397,133**	3,014,059	2,401,231	2,016,943
Profit before income tax	**41,575**	45,935	29,314	20,565
Total consolidated revenue for the year attributable to the equity Shareholders of the Company	**26,359**	36,445	22,219	14,111
Basic and diluted earnings per Share (as stated in RMB cent per Share)	**32.30**	45.56	N/A	N/A

Financial Position	As at 31 December 2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**2,062,970**	1,533,936	1,444,602	1,163,059
Total liabilities	**1,648,714**	1,288,371	1,235,482	976,158
Total equity	**414,256**	245,565	209,120	186,901
Net assets per Share (as stated in RMB per Share)	**3.84**	N/A	N/A	N/A
Net debt to equity ratio	**0.33**	1.14	1.35	1.32

Chart of the relationship between assets, liabilities and equity as at 31 December 2015



Total assets as at 31 December



MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The economic development in China is embracing a new normality with 6.9% growth in gross domestic product (the "**GDP**") in 2015 according to the National Bureau of Statistics of China. The GDP growth further declined to 6.8% in the fourth quarter of 2015. Under the pressure of more stringent supervision and the drop in drug bidding prices, the pharmaceutical industry will face greater challenges in next year.

The 2016 Government Work Report states that the pace of the growth target of GDP has been adjusted at the range from 6.5% to 7.0%. However, the government will adopt an active financial policy which shall increase the deficit ratio to 3.0%. It will coordinate and accelerate the reform in combination of medical treatment, medical insurance and medicine, increase investments so as to achieve the full insurance coverage of serious illness and relieve the burden of more patients with serious illnesses. The grants for urban and rural medical aids and assistance under the central financial arrangement shall increase by 9.6% to RMB16.0 billion. The basic medical insurance system for urban and rural residents would be integrated and there would be an increase in financial aid from RMB380 to RMB420 per capita every year. The reform on the payment method of medical insurance would be carried out so as to facilitate the national network of basic medical insurance and the settlement of non-local medical treatments. The pilot cities for comprehensive reform on public hospitals would be expanded for implementation of reforms on prices of medical service and distribution of pharmaceuticals.

Following the increase in the proportion of direct financing in pharmaceutical industry, together with the promotion of new technologies including Internet and Internet of Things and the development of innovative business model, these will accelerate the development of a free competition market in pharmaceutical industry and facilitate the upgrade and innovation of the 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 2015, we followed the established operation target, continued to explore the market in Southern China, with a focus on developing the business of retail pharmacy stores, so as to lay the foundation for the operation of "Chuangmei e-Medicine".

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. For the year ended 31 December 2014, we had a distribution network covering 4,183 customers, among which 700 were distributors, 2,639 were retail pharmacy stores, and 844 were hospitals, clinics, health centres and others. The increase in retail pharmacy stores was particularly obvious after the trial operation of B2B e-commerce platform of "Chuangmei e-Medicine".

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 2014, we had 1,073 suppliers, among which 812 were pharmaceutical manufacturers and 261 were distributor suppliers.

During the year ended 31 December 2015, we distributed 5,561 products, which decreased by 368 products as compared to 2014, primarily due to phasing-out of products with lower turnover rate and gross profit margin.

	Number of Products For the year ended 31 December	
	2015	2014
Categories of Products		
Western medicines	**2,858**	2,985
Chinese patent medicines	**1,995**	2,175
Healthcare products	**122**	126
Others	**586**	643
Total	**5,561**	5,929

Our B2B e-commerce platform,"Chuangmei e-Medicine" (創美e藥) (http://www.cmyynet.com/) were in full operation in December 2015. As at 31 December 2015, our B2B e-commerce platform had 3,597 registered customers whom are mainly retail pharmacy stores. The turnover contributed from our e-transactions through our B2B e-commerce platform in 2015 was approximately RMB60.00 million. In 2016, we will improve and promote our B2B e-commerce platform, which will increase operating efficiencies and reduce transaction costs.

The turnover of the Group in 2015 was RMB3,397.13 million, increased by approximately 12.71% as compared to last year. The gross profit margin increased to 4.85% in 2015 from 4.53% in 2014. The proportion of selling and distribution expenses to the turnover was 1.19%, which was flat compared to 2014. The proportion of administrative expenses to the turnover increased to 1.89% in 2015 from 1.23% in 2014, primarily due to the inclusion of the listing expenses of RMB23.87 million in the administrative expenses. Should such listing expenses be excluded, the proportion of administrative expenses to the turnover would be 1.19%. Should the listing expenses of RMB23.87 million be excluded, the overall profitability would be increased obviously as compared to last year.

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 14 December 2015.

Prospect

The Group plans to strengthen the existing distribution network and increase distribution capabilities so as to enhance operation efficiency and reduce costs

The Group plans to upgrade the existing logistic facilities and equipment of logistic centers in Shantou and Foshan in order to increase our operating efficiencies and lower our operating costs, acquire more refrigerated transportation vehicles to expand the distribution coverage, increase our available product offering to our customer and to provide enhanced transportation service, and plan to upgrade the information system to further enhance operation efficiency.

The Group plans to upgrade and promote B2B e-commerce platform so as to drive new sources of growth

Given the development potential of B2B pharmaceutical market, the Group plans to (i) upgrade B2B e-commerce platform, as well as software and hardware to optimize users' experience and enhance the stability and strength of systems by the end of 2016; and (ii) focus on the online and offline sales and promotional activities and accelerate the development of the Group's e-commerce platform in order to lower the transaction costs, enhance transaction efficiency and the profitability.

The Group will pursue acquisition opportunities

The Group plans to acquire an established pharmaceutical distribution company which are based in Southern China including Shenzhen that possesses mature market networks and records a positive profit. It is expected that such company will be beneficial to the setting up of a new logistic center of the Group in Southern China, expand our distribution network, broaden our customer base and increase our turnover.

The Group plans to expand our product offerings and enhance our product mix

In order to cater for the different consumption needs of our customers and to increase the loyalty of the customers, the Group plans to enlarge the portion of other products in our current product offerings. The Group's plan is to introduce 800 more products, including healthcare products, cosmetic products, medical devices and Chinese medicine decoction pieces by the end of 2016. The Group believes that expanding our product offerings and enhancing our product mix will help us to further improve our profitability and strengthen our customer base, which in turn will enhance our competitive position.

The Group had duly signed a Strategic Cooperation Agreement with SAP Company. Chuangmei Pharmaceutical will be able to link up each part of business procedures online and offline by leveraging on the brand new business suite of SAP Business Suite 4 SAP HANA (SAP S/4HANA), expanding into Hybris e-commerce platform, combining solutions including SAP CRM, mobile application and SAP BO, so as to upgrade the B2B supply chain service and build an integrated information service platform with an omni-channel covering purchasing, logistics, storage, sales and management of customer relationship. The Group is committed to realizing an intelligent and internet-based operation in order to provide more convenient and fast as well as efficient service experience to customers, increase the overall operation efficiency and reduce the operation cost.

The purposes of the proceeds used for such cooperation are the same as the use of proceeds set out in the Prospectus.

FINANCIAL REVIEW

Turnover

	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Sales of goods	**3,381,222**	3,004,747
Services income	**15,911**	9,312
Total turnover	**3,397,133**	3,014,059

The turnover of the Group in 2015 was RMB3,397.13 million, increased by 12.71% as compared to last year.

Customer type	For the year ended 31 December 2015 RMB'000	2014 RMB'000
Distributors	**2,400,620**	2,218,354
Retail pharmacy stores	**917,918**	691,930
Hospitals, clinics, health centres and others	**62,684**	94,463
Total sales of goods	**3,381,222**	3,004,747

In 2015, 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 2015, over 98.0% of our turnover was derived from distributor customers and retail pharmacy stores.

Our turnover from sales of goods increased in 2015 primarily attributable to the increase in sales to distributor customers and retail pharmacy stores.

Our turnover from sales to distributor customers increased during 2015 mainly due to (i) our continued expansion of distribution network in Southern China and our number of distributor customers increased from 700 customers in 2014 to 745 customers in 2015; and (ii) the increase in sales volume as a result of the increase in the number of products which we are primary distributor from 3,461 products in 2014 to 3,794 products in 2015.

Our turnover from sales to retail pharmacy stores increased during 2015 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 2,639 in 2014 to 3,256 in 2015.

Cost of sales, gross profit and gross profit margin

The cost of sales of the Group increased by 12.33% to RMB3,232.43 million for the year ended 31 December 2015 from RMB2,877.62 million for the year ended 31 December 2014. 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 20.71% to RMB164.70 million for the year ended 31 December 2015 from RMB136.44 million for the year ended 31 December 2014. The gross profit margin of the Group increased to 4.85% for the year ended 31 December 2015 from 4.53% for the year ended 31 December 2014. 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 2015 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 which we acted as primary distributor from 3,461 products in 2014 to 3,794 products in 2015.

Other income

Other income mainly consists of the bank interest income of RMB4.65 million of the Group.

Selling and distribution expenses

The selling and distribution expenses increased by 12.69% to RMB40.30 million in 2015 (2014: RMB35.76 million), mainly due to the increase in the marketing expenses as a result of the increase in our sales of products.

Administrative expenses

The administrative expenses in 2015 increased by 72.88% to RMB64.25 million (2014: RMB37.16 million), mainly due to the increase of listing expenses of RMB23.87 million. Should the listing expenses be excluded, the administrative expenses would increase by RMB3.22 million as compared to 2014, representing an increase of 8.66%. Such increase in the administrative expenses was due to the increase in the amortisation fees for acquiring the land of pharmaceutical logistics center in Shantou.

Finance costs

The finance costs in 2015 increased by 5.55% to RMB24.10 million (2014: RMB22.83 million), mainly due to the increase in interest expenses on the discounted bills. The proportion of finance cost to turnover was 0.71% in 2015 as compared to 0.76% in 2014.

Income tax expense

In 2015, the income tax expense of the Group was RMB15.22 million, increased by 60.34% as compared with that of RMB9.49 million in 2014. The effective tax rate (income tax divided by profit before taxation) increased by 15.94% to 36.60% in 2015 from 20.66% in 2014, mainly due to the different accounting treatment for listing expenses between the PRC accounting standards and Hong Kong Accounting Standards. In accordance with the requirements of the PRC accounting standards, fees incurred upon the issue of equity securities including advertising fees, roadshow fees and listing reception fees shall be included in current profit or loss, and other agency fees shall be deducted from the income with premium recorded in the issue of equity securities. Accordingly, the profit before taxation based on the PRC accounting standards is higher than the profit before taxation based on Hong Kong Accounting Standards, and the Group is subject to an enterprise income tax based on the profit before taxation under the PRC accounting standards.

Profit attributable to the owners of the Company

The profit attributable to the owners of the Company decreased by 27.67% to RMB26.36 million in 2015 from RMB36.45 million in 2014, mainly due to the decrease in net profit resulted from the non-recurring listing expenses of RMB23.87 million in 2015.

Property, plant and equipment

As at 31 December 2015, the net carrying value of the Group's property, plant and equipment was RMB117.67 million, decreased by RMB6.94 million as compared to 2014. The decrease was mainly due to the depreciation expenses incurred in 2015. There was no material acquisition or disposal of assets during the period.

Liquidity and financial resources

As at 31 December 2015, the cash and bank balances of the Group was RMB155.63 million, while the cash and bank balances was RMB22.30 million as at 31 December 2014.

At as 31 December 2015 and 31 December 2014, the Group recorded net current assets of RMB199.40 million and RMB48.60 million respectively. As at 31 December 2015, the current ratio (based on the calculation of current assets divided by current liabilities) of the Group was 1.12, while the current ratio was 1.04 as at 31 December 2014.

The bank borrowings of the Group as at 31 December 2015 were RMB290.65 million. All of the bank borrowings were provided by the banks within the PRC. Except for bank borrowings amount of RMB183.48 million which bear a floating interest rate, the rest of the borrowings shall bear interest at a 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, prepayment and other receivables. As at 31 December 2015, the amount of the trade and other receivables was RMB1,025.87 million, increased by RMB161.48 million as compared to the amount of the trade and other receivables as at 31 December 2014, mainly due to the increase in trade and bills receivables of RMB179.46 million as compared to 2014 following the increase in turnover, representing a growth rate of 22.56%.

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 2015, the amount of the trade and other payables was RMB1,355.63 million, increased by RMB374.07 million as compared to the amount of the trade and other payables as at 31 December 2014, mainly due to the increase in purchases resulted from the increase in the sales volume. Trade and bills payables increased by 38.86% to RMB1,292.06 million as compared to 2014.

Financial ratios

	For the year ended 31 December 2015	2014
Net profit margin	**0.78%**	1.21%
Gearing ratio	**0.70**	1.23
Net debt to equity ratio	**0.33**	1.14

The net profit margin of the Group (based on the calculation of net profit divided by turnover) for the year ended 31 December 2015 was 0.78% as compared to 1.21% in 2014. Should the listing expenses after tax of approximately RMB19.25 million be excluded, the net profit of the Group would be approximately RMB45.61 million. The net profit margin assuming no listing expenses incurred would be 1.34% in 2015.

The gearing ratio of the Group as at 31 December 2015 (based on the calculation of bank borrowings divided by total equity) was approximately 0.70 as compared to 1.23 in 2014.

The net debt to equity ratio of the Group as at 31 December 2015 (based on the calculation of total debts net of cash and cash equivalents divided by total equity) was approximately 0.33 as compared to 1.14 in 2014.

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 2015, the Group had bank borrowings amount of RMB183.48 million which bears a floating interest rate.

Capital structure

The shares of the Company were listed on the Main Board of the Stock Exchange on 14 December 2015. Since that date, 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

On 31 December 2015, the Group had no material capital commitment.

Employees' information

On 31 December 2015, the Group had a total of 604 employees, including the executive Directors. The total staff cost (including emoluments of directors and supervisors) was RMB32.33 million, as compared to RMB25.27 million for the year ended 31 December 2014, representing a growth rate of 27.92%. 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 under Labour Law, Employment Contract Law, Social Insurance Law of the PRC and the rules and regulations 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 subsidiaries, 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 2015.

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 2015, the Group had no material acquisitions and disposals related to the subsidiary, associates and joint ventures.

Pledge of assets

As at 31 December 2015, the Group was granted a credit limit of RMB696.74 million by various banks while the Group's utilized banking facilities in a total amount of RMB687.60 million, which were secured by (i) property, plant and equipment held by the Group with carrying amount of RMB55.72 million as of 31 December 2015; (ii) land use rights held by the Group with carrying amount of RMB71.25 million as of 31 December 2015; and (iii) inventories with carrying amount of RMB250.00 million as of 31 December 2015.

Valuation of properties

For the purpose of listing of the Company's shares on the Main Board of the Stock Exchange in December 2015, a valuation was conducted on the property interests held by the Group. However, certain property interests were carried at historical costs less accumulated depreciation and impairment, if any, on the Group's audited consolidated financial statements (the "**Financial Statements**"). By reference to the property valuation set out in Appendix III of the Prospectus, a revaluation surplus of RMB16.89 million was arisen in respect of the property interests of the Group as at 30 September 2015. If the properties were accounted for based on such valuation, the depreciation expenses for each year would have been increased by approximately RMB1.24 million.

Contingent liabilities

As at 31 December 2015, the Group had no material contingent liabilities (2014: nil).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS AND SUPERVISORS

The table below sets out the information of the Directors and the Supervisors as at the date of this report:

Name	Date of appointment	Age
Executive Directors		
Yao Chuanglong (姚創龍)	6 March 2000	46
Zheng Yuyan (鄭玉燕)	25 May 2015	41
Fan Jianbo (范劍波)	25 May 2015	40
Lin Zhixiong (林志雄)	25 May 2015	46
Non-executive Director		
You Zeyan (游澤燕)	25 May 2015	45
Independent Non-executive Directors		
Wan Chi Wai Anthony (尹智偉)	1 December 2015	40
Zhou Tao (周濤)	1 December 2015	32
Guan Jian (關鍵) (also known as Guan Suzhe (關蘇哲))	1 December 2015	46
Supervisors		
Zhang Ling (張玲)	25 May 2015	43
Zheng Xiyue (鄭禧玥)	25 May 2015	36
Zhang Hanzi (張寒孜)	25 May 2015	36

Chairman and Executive Director

Mr. Yao Chuanglong (姚創龍), aged 46, is our Chairman, executive Director and Chief Executive Officer. He is responsible for the overall management of the Group, strategic planning and decision, formulation of annual business operation plan of the Group. He is the spouse of Ms. You Zeyan, our non-executive Director.

Mr. Yao obtained a certificate in postgraduate class on civil commercial law from China University of Political Science and Law (中國政法大學) in March 2004. Mr. Yao also completed a class on selected on-job executive master of business administration course (在職工商管理碩士(EMBA)精選課程研修班) organised by the Sino-Foreign Management Research Institute of Sun Yat-sen University (中山大學中外管理研究中心) in the PRC in March 2004 and a course on "Advance Programme for Development of Leadership in Pharmaceutical Industry" (醫藥商業領導力發展高級研修班) in Zhejiang University (浙江大學) in the PRC in October 2007. Mr. Yao also completed a course on "Advanced Programme on Business Management for Executives" (高級工商管理總裁研修班) in Tsinghua University (清華大學) in the PRC in July 2008 and a course on "Telaote Strategic Positing for Executives" (特勞特戰略定位總裁班) in Peking University (北京大學) in the PRC in September 2013.

From January 1997 to January 2000, Mr. Yao was a business manager in Beijing Weilan Medicine Development Limited Shantou Company (北京衛倫醫藥開發公司汕頭公司) (currently known as Shantou Weilan Medicine Limited (汕頭市衛倫醫藥有限公司)), being responsible for the formulation and supervision of the sales planning of pharmaceutical. Mr. Yao joined the Group in March 2000 as a general manager of the Company, overseeing the daily operation and formulation of the strategic development of the Company. Since July 2011, he has also served as the general manger of Foshan Chuangmei Pharmaceutical Co., Ltd. (佛山創美藥業有限公司). Mr. Yao has been acting as the chairman of the Company since May 2015.

Executive Directors

Ms. Zheng Yuyan (鄭玉燕), aged 41, is our vice president, executive Director and Chief Marketing Officer. She joined the Group in September 2003 and had served various positions in the Group including procurement officer, procurement director and sales director. Ms. Zheng was promoted in August 2015 as the vice president of the Group. She has been appointed as our Director since 25 May 2015. She is mainly responsible for the marketing and products management of the Group, the arrangement and maintenance of the sales network of the Group as well as planning and guidance on the management of operating commodities of the Group.

In December 2007, Ms. Zheng was accredited by the Guangdong Human Resources and Social Welfare Bureau (廣東省人力資源和社會保障局) as a qualified medical products sales. Ms. Zheng obtained a Master of Business Administration degree in the Postgraduate School of Renmin University of China (中國人民大學研究生院) in the PRC in December 2008. Ms Zheng completed a course of"Training Programme for Executives Master of Business Administration Courses" (EMBA課程總裁研修班) organised by Lingnan School of Sun Yat-sen University (中山大學嶺南學院) in the PRC in August 2013 and a course of "Telaote Strategic Positing for Executives" (特勞特戰略定位總裁班) organised by Peking University (北京大學) in the PRC in November 2013.

Mr. Fan Jianbo (范劍波), aged 40, is our vice president, executive Director and Chief Technical Officer. He is responsible for the development of information system, logistics centre and information technology management of the Group. He joined the Group in March 2011 as Chief Technical Officer and is responsible for the planning and construction of the our logistics centres. Mr. Fan was promoted in August 2015 as the vice president of the Group.

Mr. Fan graduated from the Yunan University (雲南大學), majoring in international trade in February 2004 and obtained a postgraduate diploma on "Information Strategy and Business Transformation" from the University of Hong Kong School of Professional and Continuing Education in September 2013. He completed a course of "Telaote Strategic Positing for Executives" (特勞特戰略定位總裁班) organised by Peking University (北京大學) in the PRC in November 2013. Mr. Fan was awarded as an expert on warehouses and storage by the China Association of Warehouses and Storage (中國倉儲協會) from August 2014 to August 2016.

From February 2007 to July 2007, Mr. Fan was the logistics manager of Yuannan Gallops International Logistics Company Limited (雲南騰俊國際物流有限公司), a company engaging in the provision of delivery, logistics, warehouse management and import and export services, responsible for formulating the standard operating procedures and enhancing logistics system. Mr. Fan served as the logistics manager of Yunnan Hongxiang Yixintang Pharmaceutical Co., Ltd (雲南鴻翔一心堂（集團）藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002727) and engaging in production and sales of pharmaceutical products, during July 2007 and December 2010, responsible for the planning of construction of and management of the logistic centre and the implementation of enterprise resource planning software.

Mr. Lin Zhixiong (林志雄), aged 46, is our executive Director, joint company secretary and Chief Financial Officer. He is responsible for the financial management of the Group. He joined the Group in March 2010 as the financial director of the Group.

Mr. Lin graduated from Hunan Institute of Finance and Economics (湖南財經學院) in the PRC with a bachelor degree in economics studies, majoring in finance planning and statistics in July 1992. He also completed a course of "Telaote Strategic Positing for Executives" (特勞特戰略定位總裁班) organised by Peking University (北京大學) in the PRC in November 2013 and obtained a postgraduate diploma on "Corporate Finance and Investment Management" from the University of Hong Kong School of Professional and Continuing Education in May 2015. Mr. Lin was an accountant accredited by the Ministry of Finance in the PRC in May 1997.

Prior to joining the Group, Mr. Lin worked in Shantou International Trust Investment Limited (汕頭國際信託投資公司), a company engaging in financing and investment activities, as an accounting and financial manager from July 1992 to December 2001, responsible for financial management and accounting, tax planning and financing. During January 2002 to March 2010, he worked in Guangdong Deming Investment Group Limited (廣東德明投資集團公司) (currently known as Shantou Deming Packaging Group Limited (汕頭市德明包裝實業集團有限公司)), a company engaging in the production and sales of tobacco, and held the position of financial director and was responsible for the financial management and accounting, tax planning, financing and investment management.

Non-executive Director

Ms. You Zeyan (游澤燕), aged 45, was appointed as our non-executive Director on 25 May 2015. She is responsible for providing advice on strategic development of the Group. She is the spouse of Mr. Yao, our Chairman, executive Director and Chief Executive Officer.

Ms. You studied financial studies and finance in the Party School of Guangdong Committee of C.P.C (中共廣東省委黨校) in the PRC from September 1996 to July 1997 and graduated from the Teaching College of Party School of Guangdong Committee of C.P.C (中共廣東省委黨校函授學院) in the PRC with a bachelor degree in administrative management in December 2004. Ms. You joined Shantou Special Economic Zone Golden Gulf Hotel Limited (汕頭經濟特區金海灣大酒店有限公司) in the PRC in September 1990 as a public relations marketing director and since January 2012, she has been serving as the assistant general manager, being responsible for the public relations, managing marketing strategies and assisting in customer service and sales.

Independent non-executive Directors

Mr. Wan Chi Wai Anthony (尹智偉), aged 40, was appointed as our independent non-executive Director on 1 December 2015.

Mr. Wan graduated from the Hong Kong University of Science and Technology in November 1997 with a bachelor degree in business administration (accounting). Mr. Wan graduated from the University of London with a bachelor degree in laws in August 2003 through distance learning. He further obtained the Postgraduate Certificate in Laws in June 2004 from the University of Hong Kong.

Mr. Wan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2002 and a Fellow of the Association of Chartered Certified Accountants in May 2006. Mr. Wan was also admitted as a solicitor of the High Court of Hong Kong in September 2006.

Prior to joining the legal field, Mr. Wan worked in the financial, accounting and audit industry, including as a senior associate in PricewaterhouseCoopers, an accounting and audit firm, during August 1997 and May 2001; an accounting manager in Wellink Services Limited, a company engaging in investment business, during October 2001 and January 2002; and an assistant manager in finance in MLC (Hong Kong) Limited, an insurance company, during April 2002 and September 2003. Since 2004, Mr. Wan has worked in various local and international law firms, specialising in the practice of corporate finance transactions including Hong Kong listings and mergers and acquisitions. From October 2006 to July 2007 and January 2008 to November 2008, Mr. Wan was a corporate finance associate in Herbert Smith Freehills. He was an assistant solicitor in Reed Smith Richards Butler from March 2010 to November 2010 and an associate in Morrison & Foerster from December 2010 to May 2012. Mr. Wan joined Clifford Chance in May 2012 as a senior associate and left as a consultant in April 2015. In May 2015, he became the partner and head of the Hong Kong corporate and securities practice of Vivien Teu & Co in association with Llinks Law Offices (通力律師事務所), a law firm in Hong Kong.

Mr. Zhou Tao (周濤), aged 32, was appointed as our independent non-executive Director on 1 December 2015.

Mr. Zhou graduated from Peking University (北京大學) in the PRC with a bachelor's degree in law in July 2005. He is a qualified practising lawyer in the PRC.

Since July 2005, Mr. Zhou has been working as a lawyer in Grandway Law Offices (北京國楓律師事務所), a law firm in the PRC.

Mr. Guan Jian (關鍵) (also known as Guan Suzhe (關蘇哲)), aged 46, was appointed as our independent non-executive Director on 1 December 2015.

Mr. Guan graduated from Chinese People's Liberation Army University of International Relationships (中國人民解放軍國際關係學院) with a bachelor degree in English in July 1991 and from China Europe International Business School (中歐國際工商學院) in the PRC with a master degree in business administration in November 1997. In August 2014, he was appointed as a guest professor by Shanghai Jiao Tong University Continuing Education School (上海交通大學繼續教育學院) in the PRC.

Mr. Guan worked as a sales director in Yihaodian (一號店), a company engaging in business administration, being responsible for marketing, sales and operational management in May 2008. From July 2009 to August 2010, he was the vice president responsible for the business management in Shanghai Haolijia Electronics Commerce Limited (上海好麗家電子商務有限公司), a company engaging in the business of marketing, sales and training. Since July 2011, he has been working as the chief executive officer of Mankedao (Shanghai) Information Technology Limited (慢客島(上海)網絡科技有限公司), overseeing the general management. Mr. Guan has been consultant of China Telecom Corporation Limited Jiangsu electronics channel operations centre (中國電信股份有限公司江蘇電子渠道營運中心).

Supervisors

Ms. Zhang Ling (張玲), aged 43, was appointed as the chairlady of the Board of Supervisors on 25 May 2015.

Ms. Zhang graduated from Beijing Wuzi University (北京物資學院) in the PRC with a bachelor degree in international trade in July 1994. She obtained a master degree in industrial economics from Shantou University (汕頭大學) in the PRC in June 2005 and a doctorate degree in accounting from Xiamen University (廈門大學) in the PRC in December 2009.

From March 2000 to September 2002, Ms. Zhang was the assistant to general manager in the Company, overseeing financial and administrative matters. Since January 2010, she has been an associate professor in Shantou University Business School (汕頭大學商學院) in the PRC.

Ms. Zheng Xiyue (鄭禧玥), aged 36, was appointed as our employee representative Supervisor on 25 May 2015.

Ms. Zheng graduated from China Central Radio and TV University (中央廣播電視大學) in the PRC with a bachelor degree in accounting in July 2009. She has also completed a course on "Executive Master of Business Administration (EMBA) Programme for Executives" in Market Economy Academy of Peking University (北京大學民營經濟研究學院) in the PRC in April 2010.

Ms. Zheng joined the Group in July 2001 and held positions including accounting officer and manager of settlement department. She is currently the assistant to marketing officer and the treasury manager of the Group and is responsible for providing assistance to our Chief Marketing Officer in the operation of our sales centre and overseeing treasury management of the Group.

Ms. Zhang Hanzi (張寒孜), aged 36, was appointed as our Supervisor on 25 May 2015.

Ms. Zhang studied international finance in Sichuan University (四川大學) in the PRC and graduated with a bachelor degree in economics studies in July 2002. She was an intermediate accountant accredited by Guangdong Human Resources and Social Welfare Bureau (廣東省人力資源和社會保障廳) in August 2011.

During July 2008 and January 2014, Ms. Zhang was the financial vice manager in Kaiser China Holding Co., Ltd. (凱撒(中國)股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002425) and engaging in the wholesale and sales of apparel and leather products. She was also the director of Yuxin (Guangdong) Trading Limited (宇鑫(廣東)貿易有限公司), a subsidiary of Kaiser China Holding Co., Ltd. (凱撒(中國)股份有限公司) from July 2008 to January 2014. Since February 2014, she has been serving as the financial manager of the Company.

SENIOR MANAGEMENT

Mr. Lin Zhijie (林志杰), aged 33, is our vice logistics officer. Mr. Lin graduated from the Science and Technology College of Jiangxi University of Traditional Chinese Medicine (江西中醫學院科技學院) in the PRC in July 2007, majoring in pharmaceutics formulation.

Mr. Lin joined our Group in January 2007 and has been responsible for transportation and logistics arrangements of our Group, including the planning of budget for transportation.

JOINT COMPANY SECRETARIES

Mr. Lin Zhixiong (林志雄), aged 46, is our joint company secretary. Biographical details of Mr. Lin are set out in the paragraph headed "Executive Directors" in this section.

Ms. Ng Wing Shan (吳詠珊) was appointed as our joint company secretary on 1 December 2015. Ms. Ng is an assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. She has over 10 years of professional experience in the company secretarial field and is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and was responsible for handling secretarial and compliance matters in relation to Hong Kong listed companies and private companies incorporated in other jurisdictions.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

To coordinate and comply with the generally acknowledged standards of the corporate governance principles and practices is one of the top principles of the Company. The Board believes that good corporate governance is one of the factors to pave the way for the Company to achieve success and balance the interest relationship among Shareholders, clients and employees. The Board is devoted to continuously improving the efficiency and effectiveness of those principles and practices.

The Company adopted and complied with the code provisions ("**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**") from the Listing Date to 31 December 2015, 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 Group. 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 during the period from the Listing Date to 31 December 2015.

MEMBERS OF THE BOARD

Composition

Currently, the Board consists of eight Directors ("**Directors**"), of which four are executive Directors, one is non-executive Director and three are independent non-executive Directors. The composition of the Board is as follow:

Directors	Age	Position	Duration of service contract/ letter of appointment
Mr. Yao Chuanglong	46	Chairman, executive Director and Chief Executive Officer	14 December 2015 to 13 December 2018
Ms. Zheng Yuyan	41	Vice president, executive Director and Chief Marketing Officer	14 December 2015 to 13 December 2018
Mr. Fan Jianbo	40	Vice president, executive Director and Chief Technical Officer	14 December 2015 to 13 December 2018
Mr. Lin Zhixiong	46	Executive Director, joint company secretary and Chief Financial Officer	14 December 2015 to 13 December 2018
Ms. You Zeyan	45	Non-executive Director	1 December 2015 to 30 November 2018
Mr. Wan Chi Wai Anthony	40	Independent non-executive Director	1 December 2015 to 30 November 2018
Mr. Zhou Tao	32	Independent non-executive Director	1 December 2015 to 30 November 2018
Mr. Guan Jian (also known as Guan Suzhe)	46	Independent non-executive Director	1 December 2015 to 30 November 2018

From the Listing Date to 31 December 2015, the composition of the Board did not have any changes.

Details for each of the Directors' profile are set out on pages 17 to 20 in the section "Biographies of Directors, Supervisors and Senior Management".

Save as the relationship disclosed in the section "Biographies of Directors, Supervisors and Senior Management" and the working relationship in the Company, there is no relationship among the Directors, Supervisors and senior management regarding the financial, business, family or other material aspects.

The Board meeting

The regular Board meeting shall be convened at least four times a year, representing once a quarter. Other board meetings shall be convened when necessary for the discussion of the overall strategy and financial performance of the Company's operation. Regular meetings of the Board do not include approvals from the Board by the way of circulation of written resolutions. From the Listing Date to 31 December 2015, the Company did not convene any Board meetings.

The Company has three independent non-executive Directors, which is more than one-third of the number of Directors in the Board. Among them, Mr. Wan Chi Wai Anthony has the appropriate professional qualification.

Appropriate notification will be sent to each Director in advance prior to the regular meetings and other meetings. Meeting agendas and other relevant information are provided to the Directors prior to the Board meetings. All Directors would be inquired for the agenda for Board meetings and other additional matters.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, all applicable rules and regulations are followed.

The comment made by the Directors at the meetings and both draft and final versions of the minutes will be sent to all Directors. Minutes of Board meetings are kept by the secretary of the meetings and such minutes are available for inspection by any Directors at any reasonable time on reasonable prior notice by them.

General meeting

From the Listing Date to 31 December 2015, the Company did not hold any general meetings.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is primarily responsible for monitoring and managing the Company's affairs, including the adoption of long-term strategies, appointment of and supervision on senior management, to ensure that the operations of the Group are conducted in accordance with its own objectives. The Board is also responsible for determining the Company's corporate governance policies which include: (i) the preparation of and review on the Company's corporate governance policies and practices; (ii) the review and regulation on the training and continuous professional development of Directors and senior management; (iii) the review and regulation on the code of conduct and compliance manual (if any) applicable to employees and Directors; and (iv) the review on the Company's disclosure in the Corporate Governance Report.

While the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association ("**Articles of Association**") as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the Articles of Association). With the new composition of members of the risk management committee, nomination committee, remuneration committee and the audit committee, the independent non-executive Directors will be able to effectively devote their time to perform the duties required by each of the Board committees.

The Board has also delegated the responsibility of implementing its strategies and the daily operation to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal controls, communication with Shareholders, Board membership, delegation of authority and corporate governance.

The Board acknowledges its responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The Financial Statements set out on pages 46 to 49 were prepared on the basis set out in note 3 to the Financial Statements. Financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The declaration of reporting responsibility issued by the external auditor of the Company on the Company's Financial Statements is set out in the Independent Auditor's Report on page 44.

The Company has no non-compliance with rules 3.10(1), (2) and 3.10A of the Listing Rules. Except as disclosed in the section "Biographies of Directors, Supervisors and Senior Management" above, there is no financial, business, family or other material relationship among members of the Board.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the period prior to the Listing of the Company, all Directors have been given relevant guidance materials and participated related training regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group. Such guidance materials and relevant overview will be provided immediately to the Directors who are newly appointed. Continuing briefings and professional development for the Directors will be arranged whenever necessary.

All Directors have provided record of training attendance and the Company will continue to arrange or provide training in accordance with paragraph A.6.5 of the Code Provisions.

In the year 2015, continuing professional development participated by the Directors is summarized as follows:

Directors	Training in relation to corporate governance, regulatory developments and other relevant professional topics
Executive Directors	
Yao Chuanglong *(Chairman)*	✓
Zheng Yuyan	✓
Fan Jianbo	✓
Lin Zhixiong	✓
Non-executive Director	
You Zeyan	✓
Independent non-executive Directors	
Wan Chi Wai Anthony	✓
Guan Jian (also known as Guan Suzhe)	✓
Zhou Tao	✓

APPOINTMENT, RE-ELECTION AND DISMISSAL

All independent non-executive Directors have entered into letters of appointment or agreements with the Company for a specific term of three years, subject to re-election.

In accordance with the Articles of Association, Directors are elected at the general meeting with a term of three years from the effective date of being elected. Directors may offer themselves for re-election if their terms expire. The chairman is elected and removed by the majority votes from all Directors, with a term of three years and may offer himself/herself for re-election. The removal of any Directors with an unexpired term is allowed at the general meeting by way of ordinary resolutions, provided that it is complied with the requirements of related laws and administrative regulations.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 26 November 2015 with written terms of reference in compliance with paragraph A.5.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on matters relating to the appointment or re-election of Directors. The Nomination Committee comprises three members, two of them are independent non-executive Directors, namely Mr. Zhou Tao and Mr. Guan Jian and one of them is executive Director, namely Mr. Yao Chuanglong (Chairman).

No meeting was held by the Nomination Committee during the period from the Listing Date to 31 December 2015 because the Company did not appoint any new Directors during such period.

When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to the skills, experience, education background, professional knowledge, personal integrity and time commitments of the proposed candidates, and also the Company's needs and other relevant laws and statutory requirements and regulations required for the positions. All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules. Qualified candidates will then be recommended to the Shareholders' meeting for approval.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") pursuant to a resolution of the Board passed on 26 November 2015 and the requirement of Rules 3.25 and 3.26 of the Listing Rules and its written terms of reference were adopted. The written terms of reference of the Remuneration Committee were adopted in compliance with paragraph B.1.2 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. The remuneration of executive Directors are determined based on the skills, knowledge, individual performance and contributions, the scope of responsibility and duties of such Directors, taking into consideration of the Company's results performance and prevailing market conditions. The remuneration policy of independent non-executive Directors is to ensure that the independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs including their participation in respective Board committees. The remuneration of independent non-executive Directors are determined with reference to their skills, experience, knowledge, duties and market trends. As at 31 December 2015, the Remuneration Committee consists of three members, two of them are independent non-executive Directors, namely Mr. Zhou Tao (chairman) and Mr. Wan Chi Wai Anthony and one of them is non-executive Director, namely Ms. You Zeyan.

According to the Code Provision B.1.5, the remuneration paid to the senior management by the Group based on the remuneration band for the year ended 31 December 2015 is as follows:

Remuneration band	Number of individuals
Nil to RMB50,000	5
RMB50,001 to RMB250,000	6
RMB250,001 to RMB500,000	1

Details of remuneration of Directors are set out in note 13 to the Financial Statements.

No meeting was held by the Remuneration Committee since the Listing Date and up to 31 December 2015.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of executive Directors and senior management and make recommendation to the Directors. The Board will have final authority to approve the remuneration recommendations made by the Remuneration Committee.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Board passed on 26 November 2015 with written terms of reference and the requirement of Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with paragraphs C.3.3 and C.3.7 of the Code Provisions. Its terms of reference are available on the websites of the Company and the Stock Exchange.

The Audit Committee reports to the Board and has held regular meetings since its establishment 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. As at the date of this annual report, 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.

As at the date of this annual report, the Audit Committee reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. The Audit Committee also discussed and reviewed the annual results for the year ended 31 December 2015 of the Company with the external auditor of the Company.

No meeting was held by the Audit Committee during the period from the Listing Date to 31 December 2015.

During the period from the Listing Date to the date of this annual report, the Board has not taken a different view from the Audit Committee on the selection, appointment, designation or dismissal of external auditor.

RISK MANAGEMENT COMMITTEE

The Company established a risk management committee (the "**Risk Management Committee**") pursuant to a resolution of the Board passed on 26 November 2015 with written terms of reference. Its terms of reference are available on the websites of the Company and Stock Exchange.

The primary duties of the Risk Management Committee are to review the general goals and fundamental policies of our risk and compliance management, internal control and risk management and internal audit functions and made recommendations to our Board on the same. As at 31 December 2015, the Remuneration Committee comprises three members, namely Mr. Yao Chuanglong, our Chairman and executive Director, Mr. Lin Zhixiong, our executive Director and Mr. Wan Chi Wai Anthony, our independent non-executive Director. Mr. Yao Chuanglong is the chairman of our Risk Management Committee.

No meeting was held by the Risk Management Committee since the Listing Date and up to 31 December 2015.

BOARD DIVERSITY POLICY

The Board adopted the following board diversity policy:

With a view of achieving a sustainable and balanced development, the Company sees increasing diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, and candidates will be adequately considered against objective criteria, together with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of board diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents in various stages of the business development and strategic planning of the Company, and also the merits and contribution to be made by the selected candidates. The composition of the Board (including gender, age and length of service) will be disclosed in the Corporate Governance Report annually.

AUDITOR'S REMUNERATION

During the year, the Company engaged SHINEWING (HK) CPA Limited as the external auditor of the Company. Apart from providing audit services, SHINEWING (HK) CPA Limited also provided reporting accountant services in connection with the Company's Listing. The fees in respect of audit services provided by SHINEWING (HK) CPA Limited for the year ended 31 December 2015 amounted to approximately RMB0.84 million.

The reporting responsibilities of SHINEWING (HK) CPA Limited are set out in the Independent Auditor's Report on pages 44 to 45.

JOINT COMPANY SECRETARY

Mr. Lin Zhixiong and Ms. Ng Wing Shan, being our joint company secretaries, are primarily responsible for the company secretarial work of the Group. Mr. Lin Zhixiong currently does not possess the qualifications as required under Rule 3.28 of the Listing Rules. Ms. Ng Wing Shan is an assistant vice president of SW Corporate Services Group Limited and her major contact of the Company is Mr. Lin Zhixiong, an executive Director and joint company secretary. Ms. Ng has for the year of 2015 attended no less than 15 hours of relevant professional training.

Mr. Lin Zhixiong has become an affiliate member of The Hong Kong Institute of Chartered Secretaries and participated the Roundtable for the Year 2016 of The Hong Kong Institute of Chartered Secretaries, actively signed up for various trainings of company secretary recommended and held by The Hong Kong Institute of Chartered Secretaries, and read a series of written materials related to the corporate governance of listed companies.

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the interests of the Shareholders and the assets of the Company against unauthorized use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations.

The Board has conducted a review of the effectiveness of the Group's internal control system for the year ended 31 December 2015 and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

No material internal control defect was identified within the Company and its subsidiary.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting by the Shareholders

Two or more Shareholders who are jointly holding more than 10% (including 10%) of Shares with voting rights at the meeting proposed to be held shall be entitled to request the Board to convene an extraordinary general meeting or class meeting upon signing one or several written requests with the same format and content, and stating the subject of the meeting. If the Board agrees to convene an extraordinary general meeting or class meeting, it shall issue a notice of meeting within 5 days upon making the Board decision. The Board shall convene an extraordinary general meeting or class general meeting as soon as possible upon receiving the aforesaid written requests. If the Board does not issue a notice of meeting within 30 days upon receiving the aforesaid written requests, Shareholders who made such request may convene the meeting by themselves within four months after the Board has received such request, and the procedures for convening the meeting shall be as similar as possible to those for convening a general meeting by the Board.

Proposals put forward at the general meeting

Shareholders severally or jointly holding more than 3% of Shares of the Company may submit written provisional proposals to the convener 10 days before a general meeting is convened. The convener shall serve a supplementary notice of general meeting within two days after receipt of such proposal and announce the contents of provisional proposals.

Making enquiry to the Board

Shareholders who request related information or ask for information shall provide the Company with the written documents proving their types of Company's Shares and the number of Shares being held. The Company would provide related information in accordance with the request of Shareholders after verifying the identity of Shareholders and receiving related fees.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following

Address: Company Secretary, Lin Zhixiong, No. 235 Song Shan North Road, Longhu District, Shantou City, Guangdong Province, PRC (For the attention of Joint Company Secretary)

Fax: 86-0754-82752026

Email: linzhixiong@chmyy.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at 86-0754-88109272 for any assistance.

CONSTITUTIONAL DOCUMENT

Since the Listing Date and up to date of this annual report, the Company has not made any changes to the Articles of Association. An up-to-date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognizes the importance of good communications with all Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its Shareholders and public investors.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Extensive information about the Company's business for the year ended 31 December 2015 has been provided in this annual report. While the annual general meeting provides a valuable forum for direct communication between the Board and its Shareholders, the Company also maintains its website (http://www.chmyy.com) to provide an alternative communication channel for the public and its Shareholders. All corporate communication and Company's latest updates are available on the Company's website.

Since the Listing Date and up to 31 December 2015, there has been no significant change in the Company's constitutional documents.

DIRECTORS' REPORT

The directors of the Company are pleased to present their first annual report together with the Financial Statements of the Group for the year ended 31 December 2015 since the listing of the Shares of the Company on the Stock Exchange (the "**Listing**") on 14 December 2015.

PRINCIPAL BUSINESS AND BUSINESS REVIEW

The principal business of the Company is pharmaceutical products distribution in the PRC. The principal activities of the subsidiary of the Company are set out in note 25 of the Financial Statements. Business review during the reporting period and discussion on the future business development of the Group are set out in the Management Discussion and Analysis on pages of 8 to 9 of this annual report; Performance analysis of the Group within the year based on key financial performance indicators are set out in the Management Discussion and Analysis on pages 10 to 13 of this annual report.

USE OF PROCEEDS

The Company was successfully listed on 14 December 2015. The net proceeds from the Global Offering (the "**Global Offering**") of the Company are approximately RMB158.91 million, after deducting the underwriting commissions and other estimated expenses payable by the Company in connection with the Global Offering. As at the date of this report, the Directors did not aware of any material changes in the use of proceeds as set out in the Prospectus.

According to the use of proceeds disclosed in the Prospectus by the Company, the details of the actual usage as at 31 December 2015 are as follows:

Planned use	**Budgeted amount** RMB	**Actual usage amount** RMB
To strengthen, expand and integrate our existing distribution network and capabilities	Approximately 55.62 million	Nil
To enhance and promote our B2B e-commerce platform	Approximately 15.89 million	Nil
To repay bank borrowings	Approximately 47.67 million	Approximately 47.67 million
To acquire pharmaceutical distribution business in Southern China region	Approximately 23.84 million	Nil
For working capital and general corporate purposes	Approximately 15.89 million	Approximately 15.89 million
Total	Approximately 158.91 million	Approximately 63.56 million

RESULTS AND DIVIDENDS

The Group's annual results for the year ended 31 December 2015 and its financial positions as at 31 December 2015 are set out in the Financial Statements on pages 46 to 47.

The Board does not recommend the distribution of final dividend for the year ended 31 December 2015.

LAST FOUR-YEAR FINANCIAL SUMMARY

A financial summary of the results, assets and liabilities of the Group for the last four years ended 31 December 2012 to 31 December 2015 is set out on page 5. This summary does not form part of the Financial Statements.

SHARE CAPITAL

Details of changes in share capital of the Company during the year are set out in note 23 to the Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's distributable reserves amounted to RMB1.34 million. Details of the movements in the reserves of the Group in 2015 are set out in the Financial Statements on page 48.

PRINCIPAL RISKS AND UNCERTAINTIES

(1) Suppliers and the quality of products provided

As a pharmaceutical distributor, the Group has limited or no control over the operation and quality of products of the suppliers. The suppliers may not always be able to provide products which are satisfied with the quality standard of the Group and with no defects.

As such, in the case that there are no damage in packaging and relevant documentation including inspection report that are properly attached, the Group would not be able to know whether there are any problem in the internal quality of the products and hence could be subject to administrative punishment for selling interior drugs if the suppliers of the Group fail to supply goods that meet the quality standard.

(2) Low gross profit margin and net profit margin

As a pharmaceutical distributor, the Group has low profit margins. Any increase in procurement cost or decrease in selling price would therefore significantly affect our profits. In addition, we earn purchase discounts directly or indirectly from our manufacturer suppliers and such purchase discounts are significant to our gross profit. If there is a decrease in the amount of purchase discounts received which result in a decrease in gross profit margin and net profit margin, the results of operation of the Group may be adversely affected.

MAJOR RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that the core staff of the Group is the key to the future development of the Group. The Group is able to maintain its market competitiveness with their knowledge of the industry and the understanding of market as well as their sincere services. The Group puts great emphasis on individual ability enhancement and career development of staff and provides corresponding training courses for the staff.

The Group maintains a close and stable relationship with existing and potential customers and suppliers. As a bridge between the pharmaceutical manufacturers and the customers, the Group is familiar with the market trend and the diversified demand of customers, which would extend the sales network coverage for the pharmaceutical manufacturing enterprises in a more cost effective way. Enriched product portfolio would be able to be provided for satisfying different demand of customers and ensuring a stable supply in a timely manner.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers were 10.12% of the Group's total turnover for the year ended 31 December 2015, and sales to the largest customer accounted for 4.15% of the Group's total turnover during the year thereof. The aggregate purchases attributable to the Group's five largest suppliers were 25.48% of the Group's total procurement cost for the year ended 31 December 2015, and purchases from the largest supplier accounted for 13.78% of the Group's total procurement cost during the year thereof.

The largest supplier of the Group is a subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited. To the knowledge of the Directors, Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited, the wholly-owned subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, owned more than 5% of the issued share capital of the Company as at the date of this annual report. Save for the above, to the best knowledge of the Directors, none of the Directors, their associates or any Shareholders who own more than 5% of the Company's issued share capital had any beneficial interests in any of the Group's five largest customers or suppliers during the year.

SUBSIDIARY

Details of the subsidiary of the Company are set out in note 25 to the Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 15 to the Financial Statements.

FIXED ASSETS

During the year, the Group's total capital expenditure amounted to approximately RMB30.31 million (2014: approximately RMB4.45 million) which was used for acquisition of a land use right in Shantou and addition of property, plant and equipment. The details of movements in property, plant and equipment and the prepaid land use right of the Group during the year are set out in notes 15 to 16 to the Financial Statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2015 are set out in note 21 to the Financial Statements. As at 31 December 2015, the Group's property, plant and equipment, prepaid land use right and inventories with total carrying amount of approximately RMB376.97 million have been pledged to secure banking facilities granted to the Group (2014: approximately RMB375.18 million).

ENVIRONMENTAL PROTECTION

The Group aims at minimising the impact of business activities on the environment and reminds the staff to comply with such requirement. We put effort on environmental protection by regulating energy and water consumption and proposing plans for recycling paper boxes and waste paper from offices.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board is concerned about the policies and practices to comply with the requirements of laws and regulations in relation to the Group. The Group has engaged external compliance consultants, legal advisors to PRC and Hong Kong laws to ensure the transactions and business of the Group are conducted subject to the applicable laws. The Group has included the related laws and regulations into the internal management system in order to supervise the staff to comply on an ongoing basis.

SERVICE CONTRACTS WITH DIRECTORS AND SUPERVISORS

The Directors of the Company who held office during the year and up to the date of this report are:

Executive Directors

Yao Chuanglong *(Chairman)*	Appointed on 25 May 2015
Zheng Yuyan	Appointed on 25 May 2015
Fan Jianbo	Appointed on 25 May 2015
Lin Zhixiong	Appointed on 25 May 2015

Non-executive Director

You Zeyan	Appointed on 25 May 2015

Independent non-executive Directors

Wan Chi Wai Anthony	Appointed on 1 December 2015
Zhou Tao	Appointed on 1 December 2015
Guan Jian (also known as Guan Suzhe)	Appointed on 1 December 2015

Each of the executive Directors has entered into a service contract with the Company for a term of three years from the Listing Date and subject to termination by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company on 26 November 2015 for a term of three years from 1 December 2015 and subject to termination by not less than three months' notice in writing served by either party on the other.

None of the Directors has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has received annual confirmation on independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and all of them are considered to be independent.

The Supervisors of the Company who hold office during the year and up to the date of this report are as follows:

Supervisors

Ms. Zhang Ling *(Chairlady)*	Appointed on 25 May 2015
Ms. Zheng Xiyue	Appointed on 25 May 2015
Ms. Zhang Hanzi	Appointed on 25 May 2015

The Board of Supervisors of the Company set up on 25 May 2015 and held one meeting during 2015. Details of the meetings and events conducted by the Board of Supervisors during 2015 are set out in the Board of Supervisors' report of this annual report.

Each of the Supervisors has entered into a service contract with the Company for a term of three years and may be re-elected.

No Supervisor has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF THE DIRECTORS, SUPERVISORS AND EMPLOYEES

Details of the emoluments of Directors and Supervisors and the five highest paid individual of the Company are set out in note 13 to the Financial Statements.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company and approved by the Board, as authorized by Shareholders in the annual general meeting of the Company ("**AGM**"), having regard to their time commitment and responsibilities in the Group, the salaries paid by comparable companies, employment conditions elsewhere in the Group and performance-based remuneration. No Directors are involved in deciding their own remuneration.

REMUNERATION POLICY

The Group's remuneration policies are formulated on the performance of individual employee and on the basis of the salary trends in PRC, and will be reviewed regularly. Subject to its profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group.

DIRECTORS AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as otherwise disclosed, there was no material transaction, arrangement or contract to which the Company or its holding company or any of its subsidiaries was a party and in which a Director or Supervisor (or its connected entities) directly or indirectly had a material interest subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage the whole or any substantial part of any business of the Company during 2015.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of the Directors, Supervisors and senior management of the Group are disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" on pages 16 to 21 of this annual report.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDER

To better safeguard the Group from any potential competition, Mr. Yao Chuanglong has entered into the deed of non-competition with the Company whereby Mr. Yao Chuanglong irrevocably and unconditionally, undertakes with the Company that with effect from the Listing Date and for as long as our H Shares remain listed on the Stock Exchange and (i) Mr. Yao is, directly or indirectly, interested in not less than 30% of our Shares in issue; or (ii) Mr. Yao Chuanglong remains as our executive Director, Mr. Yao Chuanglong shall, and shall procure that his respective associates shall:

(a) not directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of the Group or any business activities which the Group may undertake in the future;

(b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group;

(c) keep our Board informed of any matter of potential conflicts of interests between Mr. Yao Chuanglong (including his associates) and the Group, in particular, a transaction between Mr. Yao Chuanglong (including his associates) and the Group; and

(d) provide as soon as practicable upon the Company's request a written confirmation in respect of compliance by it with the terms of the deed of non-competition and their respective consent to the inclusion of such confirmation in the Company's annual report and all such information as may be reasonably requested by the Company for its review.

In addition, Mr. Yao Chuanglong hereby irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of the Group (the "**Business Opportunity**") is made available to him or his associates (other than members of the Group), he will direct or procure the relevant associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity.

Mr. Yao Chuanglong shall provide or procure his associates to provide all such reasonable assistance to enable the Group to secure the Business Opportunity. If he (or his associates) plans to participate or engage in any new activities or new business which may, directly or indirectly, compete with the existing business activities of the Group, he shall give the Company a first right of refusal to participate or engage in the Business Opportunity and will not participate or engage in these activities unless with the prior written consent of the Company. None of Mr. Yao Chuanglong and his associates (other than members of the Group) will pursue the Business Opportunity unless the Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of the Company will have to be approved by our independent non-executive Directors taking into consideration the prevailing business and financial resources of the Group, the financial resources required for the Business Opportunity and, where necessary, any expert opinion on the commercial viability of the Business Opportunity. Mr. Yao Chuanglong further irrevocably and unconditionally undertakes that he will (i) provide to the Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to the Company on an annual basis as to whether he complies with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:

(a) the Company becomes wholly-owned by Mr. Yao Chuanglong and/or his associates;

(b) the aggregate beneficial shareholding (whether direct or indirect) of Mr. Yao Chuanglong and/or his associates in the Shares in issue falls below 30% of the number of Shares in issue and Mr. Yao Chuanglong shall cease to be our executive Director; or

(c) the H Shares cease to be listed on the Stock Exchange.

Mr. Yao Chuanglong, the controlling shareholder, has confirmed to the Company of his compliance with the deed of non-competition provided to the Company during the period from the Listing Date to 31 December 2015.

The independent non-executive Directors of the Company had reviewed the status of compliance and received confirmation by the controlling shareholders of the Company and, on the basis of such confirmation, are of the view that the controlling shareholders of the Company have complied with the deed of non-competition and such deed of non-competition has been enforced by the Company in accordance with its terms.

CONNECTED TRANSACTIONS

We had not conducted any transactions which constitute non-exempt continuing connected transactions within the meaning of the Listing Rules since the Listing Date and up to 31 December 2015.

Details of related party transactions entered into in the ordinary course of business of the Group during the reporting period are set out in note 27 to the Financial Statements. Save as disclosed above, no related party transactions set out in note 27 to the Financial Statements constitute discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions and continuing connected transactions.

INTERESTS OR SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES, AND DEBENTURES

As at 31 December 2015, the interests of the Directors, Supervisors and Chief Executives in the Shares, underlying Shares and debentures of the Company, its members of the Group and/or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Class and number of Shares[8]	Approximate shareholding percentage in the relevant class of Shares[1]	Approximate percentage of the total issued share capital of our Company[2]
Mr. Yao Chuanglong	Beneficial owner	70,000,000 Domestic Shares (L)	87.50%	64.81%
	Interest of spouse	1,000,000 Domestic Shares (L)[3]	1.25%	0.93%

Name of Director	Capacity/ Nature of interest	Class and number of Shares[8]	Approximate shareholding percentage in the relevant class of Shares[1]	Approximate percentage of the total issued share capital of our Company[2]
Ms. You Zeyan	Interest of spouse	70,000,000 Domestic Shares (L)[4]	87.50%	64.81%
	Interest of a controlled corporation	1,000,000 Domestic Shares (L)[5]	1.25%	0.93%
Ms. Zheng Yuyan	Interest of a controlled corporation	1,000,000 Domestic Shares (L)[6]	1.25%	0.93%
Mr. Lin Zhixiong	Interest of a controlled corporation	1,500,000 Domestic Shares (L)[7]	1.88%	1.39%

Notes:

(1) The calculation is based on the percentage of shareholding in the Domestic Shares.

(2) The calculation is based on the total number of 108,000,000 Shares in issue of the Company as at 31 December 2015.

(3) Mr.Yao Chuanglong is the spouse of Ms.You Zeyan, our non-executive Director, and is deemed to be interested in these Share under the SFO.

(4) Ms. You Zeyan is the spouse of Mr. Yao Chuanglong, our Chairman and executive Director, and is deemed to be interested in these Shares under the SFO.

(5) These Shares are held by Shantou Zhichuang Investment Management Limited Partnership (汕頭市智創投資管理合夥企業(有限合夥)) ("**Zhichuang Investment**"). Zhichuang Investment is a limited partnership established in the PRC and is held by Ms. You Zeyan as to 53.90%. As Ms. You Zeyan is the general partner of Zhichuang Investment, she is deemed to be interested in the Shares held by Zhichuang Investment under the SFO.

(6) These Shares are held by Shantou Youran Investment Management Limited Partnership (汕頭市悠然投資管理合夥企業(有限合夥)) ("**Youran Investment**"). Youran Investment is a limited partnership established in the PRC and is held by Ms. Zheng Yuyan as to 37.70%. Therefore, Ms. Zheng Yuyan is deemed to be interested in the Shares held by Youran Investment under the SFO.

(7) These Shares are held by Shantou Meizhi Investment Management Limited Partnership (汕頭市美智投資管理合夥企業(有限合夥)) ("**Meizhi Investment**"). Meizhi Investment is a limited partnership established in the PRC and is held by Mr. Lin Zhixiong as to 28.47%. As Mr. Lin Zhixiong is the general partner of Meizhi Investment, he is deemed to be interested in the Shares held by Meizhi Investment under the SFO.

(8) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Share.

Save as disclosed above, as at 31 December 2015, none of the Directors, Supervisors and chief executives of the Company has any other interests or short positions in the Shares, underlying Shares or debentures of the Company, its members of the Group or any of its associated corporations (as defined in Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO) or which are required to be entered in the register referred to therein pursuant to section 352 of the SFO or which are required pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Interests or Short Positions of the Directors, Supervisors and Chief Executives in the Shares, Underlying Shares, and Debentures", at no time during 2015, the Company, any of its subsidiaries or fellow subsidiaries was a party to any arrangement to enable the Directors and Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, or any Directors, Supervisors or their spouses or children under 18 years of age was granted any right to subscribe for Shares or debentures of the Company or any other body corporate or exercised any such right.

INTERESTS AND/OR SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN THE SHARE AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2015, so far as the Directors are aware, the following persons/entities (other than any Directors or chief executives of the Company) had or deemed to have an interest or short position in the Shares or underlying Shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Capacity and Nature of interest	Number and class of securities[6]	Approximate Shareholding percentage in the relevant class of Shares[1]	Approximate percentage of the total issued share capital of our Company[2]
Madam Yao Xizhen （姚惜真）	Beneficial owner	6,500,000 Domestic Shares (L)	8.13%	6.02%
Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited	Beneficial owner	7,906,500 H Shares (L)[3]	28.24%	7.32%
Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited	Interest of a controlled corporation	7,906,500 H Shares (L)[3]	28.24%	7.32%
China Alpha Fund Management (HK) Limited	Beneficial owner	2,000,000 H Shares (L)[4]	7.14%	1.85%
China Alpha Fund Management Ltd	Investment manager	2,000,000 H Shares (L)	7.14%	1.85%
Jet Elite Investments Limited	Interest of a controlled corporation	2,000,000 H Shares (L)[4]	7.14%	1.85%
Alpha Logic Holdings Limited	Interest of a controlled corporation	2,000,000 H Shares (L)[4]	7.14%	1.85%

Name of shareholder	Capacity and Nature of interest	Number and class of securities[6]	Approximate Shareholding percentage in the relevant class of Shares[1]	Approximate percentage of the total issued share capital of our Company[2]
Wang Junyan (王俊彥)	Interest of a controlled corporation	2,000,000 H Shares (L)[4]	7.14%	1.85%
Zhai Pu (翟普)	Interest of a controlled corporation	2,000,000 H Shares (L)[4]	7.14%	1.85%
China Alpha Management Ltd.	Investment manager	2,000,000 H Shares (L)[5]	7.14%	1.85%

Notes:

(1) The calculation is based on the percentage of shareholding in the Domestic Shares.

(2) The calculation is based on the total number of 108,000,000 Shares in issue of the Company as at 31 December 2015.

(3) These Shares are held by Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited. As Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited is a wholly-owned subsidiary of Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited is deemed to be interested in the Shares held by Guangzhou Pharmaceutical Baiyunshan Hong Kong Company Limited.

(4) According to the Corporate Substantial Shareholder Notices filed by China Alpha Fund Management (HK) Limited, Jet Elite Investments Limited and Alpha Logic Holdings Limited, respectively, on 14 December 2015 as shown on the website of the Stock Exchange, China Alpha Fund Management (HK) Limited, as a beneficial owner is interested in 2,000,000 H Shares. China Alpha Fund Management (HK) Limited is a wholly owned subsidiary of Jet Elite Investments Limited, which in turn is held by Alpha Logic Holdings Limited as to 80%. By virtue of the SFO, Jet Elite Investments Limited and Alpha Logic Holdings Limited are deemed to be interested in the Shares held by China Alpha Fund Management (HK) Limited. According to the Individual Substantial Shareholder Notices filed by Zhai Pu (翟普) and Wang Junyan (王俊彥), Alpha Logic Holdings Limited is held by Zhai Pu (翟普) and Wang Junyan (王俊彥) as to 49% and 51%, respectively. By virtue of the SFO, Zhai Pu (翟普) and Wang Junyan (王俊彥) is deemed to be interested in the Shares held by Alpha Logic Holdings Limited.

(5) According to the Corporate Substantial Shareholder Notice filed by China Alpha Fund Management Ltd on 14 December 2015 as shown on the website of the Stock Exchange, China Alpha Fund Management is interested in 2,000,000 H Shares as an investment manager.

(6) The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.

Save as disclosed herein, our Directors are not aware of any person who will, as at 31 December 2015, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

Save as disclosed above, as at 31 December 2015, none of the Directors was aware that any other persons/entities (other than any Directors or chief executives of the Company) had an interest or short position in the Shares or underlying Shares of the Company, its members of the Group or associated corporations which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which had entered in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETITIONS AND CONFLICTS OF INTERESTS

During the year, save as disclosed in the Prospectus, none of the Directors or substantial Shareholders of the Company or any of their respective associates conducted any business which competes, or is likely to compete, with the business of the Group or had any other conflicts of interests with the Group.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance (Cap. 622)) for the benefit of the Directors of the Company is currently in force.

MATERIAL CONTRACTS

Since the Listing Date up to 31 December 2015, the Company and its subsidiaries did not enter into any material contracts with any controlling shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the Listing Date up to 31 December 2015, the Company has not redeemed any of its listed securities, while Company and its subsidiaries have not purchased or sold into any listed securities of the Company.

TAX REDUCTION

Directors were not aware any details concerning the tax reduction due to any Company's securities held by the Shareholders.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the PRC's law applicable to the incorporation place of the Company.

SUFFICIENT PUBLIC FLOAT

According to the information publicly available to the Company and so far as the Directors are aware, the Company has maintained the public float stipulated under the Listing Rules since its Listing Date and up to the date of this annual report.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

There are no important events occurred subsequent to 31 December 2015.

CORPORATE GOVERNANCE REPORT

The details of the corporate governance practices of the Group are set out in the corporate governance report on pages 22 to 29 of this annual report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members of the Company to attend the AGM to be held on 3 June 2016, the register of members of the Company will be closed from 4 May 2016 to 3 June 2016 (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 p.m. on 3 May 2016.

AGM

The AGM will be held on 3 June 2016. The Shareholders should refer to the circular to be issued by the Company on 18 April 2016 regarding the details of the AGM and the enclosed AGM notice and proxy form.

AUDIT COMMITTEE

The Audit Committee, 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 the Financial statements for the year ended 31 December 2015.

AUDITORS

The Company will propose a resolution regarding the engagement of SHINEWING (HK) CPA Limited as the auditor for the year 2016, on the forthcoming AGM.

On behalf of the Board
Chuangmei Pharmaceutical Co., Ltd.

Yao Chuanglong
Chairman and Executive Director

Hong Kong, 23 March 2016

BOARD OF SUPERVISORS' REPORT

In 2015, the Board of Supervisors fully performed its supervisory duties on members of the Board, managers and other senior executives of the Company as authorised at the general meeting in accordance with the Company laws of the PRC ("**Company Law**") and the Articles.

DAILY WORK OF THE BOARD OF SUPERVISORS

In 2015, the Board of Supervisors convened one meeting.

On 25 May 2015, it considered and approved Zhang Ling, Zhang Hanzi and Zheng Xiyue as the Supervisors of the First Session of the Board of Supervisors, and Zhang Ling is the chairlady of the Board of Supervisors.

On 23 March 2016, it considered the proposal on the work report of the Board of Supervisors of the Company for 2015, the Financial Statements for 2015, the result announcement for 2015, the Annual Report for 2015.

LAWFUL OPERATION OF THE COMPANY

The Board of Supervisors of the Company attended all meetings of the Board during the year, and fully performed its supervisory duties on the lawful production and operation of the Company. It earnestly performed its duties of supervision and inspection, and effectively discharged its supervisory duties on the development strategies and the significant decisions of the Company on a timely basis, thus exerting its functions in a better way and fully delivering its duties in the development of the Company during the year.

In the opinion of the Board of Supervisors:

1. In 2015, with care and strong support from all the Shareholders of the Company, as well as the diligent work of all its staff, the operation of the Company was in compliance with the Company Law and the Articles of Association, and the procedures for making decisions on production and operation of the Company are lawful and normative, thus making satisfactory achievements in the business.

2. During the reporting period, each member of the Board, manager and other senior executives of the Company diligently performed its jobs and duties in the Company and, for the benefit of the Company, strictly observed relevant laws, regulations and the Articles of Association, and regulated the work procedures for production, operation and management of the Company, thereby protecting the interest of the Company and its shareholders.

INSPECTION ON FINANCIAL STATUS OF THE COMPANY

The Board of Supervisors reviewed the 2015 Audit Report to be submitted and considered at the 2015 general meeting. In the opinion of the Board of Supervisors, the financial report of the Company reflects its financial position and operating results that are complete, objective and fair. The annual operating results of the Company have been audited by SHINEWING (HK) CPA Limited who has also issued an audit report which is true, objective and fair.

INDEPENDENT OPINION OF THE BOARD OF SUPERVISORS ON CONNECTED TRANSACTIONS OF THE COMPANY

The Board of Supervisors is of the view that the Group had no connected transaction in 2015 which were subject to the reporting, annual review, announcement and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

REVIEW OF THE BOARD OF SUPERVISORS ON THE INTERNAL CONTROL SELF-ASSESSMENT REPORT

The Board of Supervisors has conducted a review on the Company, and considered that the Company has established an appropriate internal control system in all important aspects and the internal control management system has operated effectively, thus ensuring its consistent implementation and normal production and operation.

IMPLEMENTATION OF RESOLUTIONS PASSED AT THE GENERAL MEETINGS

The members of the Board of Supervisors had no objection to the contents of resolutions submitted to the general meetings. The Board of Supervisors supervised the implementation of resolutions passed at the general meetings, and considered that the Board was able to implement the relevant resolutions earnestly.

On behalf of the Board of Supervisors
Chairlady
Zhang Ling

Hong Kong, 23 March 2016

INDEPENDENT AUDITOR'S REPORT

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CHUANGMEI PHARMACEUTICAL CO., LTD.
(a joint stock limited liability company established in the People's Republic of China)

We have audited the consolidated financial statements of Chuangmei Pharmaceutical Co., Ltd (the "**Company**") and its subsidiary (collectively referred to as the "**Group**") set out on pages 46 to 84, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiary 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.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising certificate number: P05589

Hong Kong
23 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
Turnover	7	**3,397,133**	3,014,059
Cost of sales		**(3,232,431)**	(2,877,618)
Gross profit		**164,702**	136,441
Other income	7	**5,514**	5,245
Selling and distribution expenses		**(40,296)**	(35,757)
Administrative expenses		**(64,246)**	(37,162)
Finance costs	9	**(24,099)**	(22,832)
Profit before taxation		**41,575**	45,935
Income tax expense	10	**(15,216)**	(9,490)
Profit and total comprehensive income for the year attributable to the owners of the Company	11	**26,359**	36,445
Earnings per share			
Basic and diluted (RMB cents)	12	**32.30**	45.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	15	**117,667**	124,606
Prepaid land use right	16	**96,350**	71,251
Deferred taxation	22	**840**	1,107
		214,857	196,964
Current assets			
Inventories	17	**318,465**	244,935
Prepaid land use right	16	**2,778**	2,215
Trade and other receivables	18	**1,025,871**	864,395
Pledged bank deposits	19	**345,370**	203,131
Bank balances and cash	19	**155,629**	22,296
		1,848,113	1,336,972
Current liabilities			
Trade and other payables	20	**1,355,631**	981,563
Bank borrowings	21	**290,650**	301,350
Income tax payables		**2,433**	5,458
		1,648,714	1,288,371
Net current assets		**199,399**	48,601
Total assets less current liabilities		**414,256**	245,565
Capital and reserves			
Share capital	23	**108,000**	80,000
Reserves	24	**306,256**	165,565
		414,256	245,565

The consolidated financial statements on page 46 to 84 were approved and authorised for issue by the board of directors on 23 March 2016 and are signed on its behalf by:

Yao Chuanglong
Director

Lin Zhixiong
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note 24 (a))	Statutory reserve RMB'000 (Note 24 (b))	Retained profits RMB'000	Total RMB'000
At 1 January 2014	80,000	–	57,120	8,228	63,772	209,120
Profit and total comprehensive income for the year	–	–	–	–	36,445	36,445
Appropriation	–	–	–	3,253	(3,253)	–
At 1 January 2015 and 31 December 2014	80,000	–	57,120	11,481	96,964	245,565
Profit and total comprehensive income for the year	–	–	–	–	26,359	26,359
Shares reform (Note (a))	–	–	82,530	(11,257)	(71,273)	–
Issuance of ordinary shares in connection with the listing of shares of the Company (Note (b))	28,000	172,662	–	–	–	200,662
Appropriation	–	–	–	4,713	(4,713)	–
Shares issue expenses	–	(12,330)	–	–	–	(12,330)
Dividends paid	–	–	–	–	(46,000)	(46,000)
At 31 December 2015	108,000	160,332	139,650	4,937	1,337	414,256

Notes:

(a) It represents the effect of the shares reform of the Company. The retained profits and statutory reserve as of 31 March 2015 are transferred to capital reserve.

(b) In connection with the Company's global offering (the "**Global Offering**"), the Company issued 28,000,000 ordinary shares at a price of HK$8.60 each for a total consideration (before expenses) of RMB200,662,000. Trading of the Company's shares on the Main Board of The Stock Exchange commenced on 14 December 2015.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**41,575**	45,935
Adjustments for:		
Finance costs	**24,099**	22,832
Interest income	**(4,650)**	(4,733)
Depreciation of property, plant and equipment	**8,982**	9,725
Impairment loss (reversed) recongised in respect of trade receivables	**(610)**	2,290
Government grant	**–**	(500)
Amortisation of prepaid land use right	**2,496**	2,215
Loss on disposal of property, plant and equipment	**80**	233
(Reversal of provision) allowance on inventories	**(128)**	944
Operating cash flows before movements in working capital	**71,844**	78,941
(Increase) decrease in inventories	**(73,402)**	10,867
Increase in trade and other receivables	**(160,866)**	(145,475)
Increase in trade and other payables	**374,068**	49,156
Cash generated from (used in) operations	**211,644**	(6,511)
PRC Enterprise Income Tax paid	**(17,974)**	(8,315)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**193,670**	(14,826)
INVESTING ACTIVITIES		
Placement of pledged bank deposit	**(1,592,414)**	(1,175,396)
Acquisition of land use right	**(28,158)**	–
Purchase of property, plant and equipment	**(2,153)**	(4,447)
Withdrawal of pledged bank deposits	**1,450,175**	1,215,332
Interest received	**4,650**	4,733
Sales proceeds from disposal of property, plant and equipment	**30**	681
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(167,870)**	40,903
FINANCING ACTIVITIES		
New bank borrowings raised	**312,650**	264,850
Proceed of global offering shares, net of share issue expenses	**188,332**	–
Repayment of bank loans	**(323,350)**	(263,060)
Dividend paid	**(46,000)**	–
Interest paid	**(24,099)**	(22,832)
Government grant received	**–**	500
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**107,533**	(20,542)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**133,333**	5,535
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**22,296**	16,761
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**155,629**	22,296

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

Chuangmei Pharmaceutical Co. Ltd (the "**Company**") was established as an enterprise owned by 全民所有制企業 (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 are disclosed in the Corporate Information section of the annual report.

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") AND NEW DISCLOSURE REQUIREMENT OF HONG KONG COMPANIES ORDINANCE

For the purpose of preparing and presenting the consolidated financial statements for the year, the Group has consistently adopted the HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and the interpretations ("**Int(s)**"), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning on 1 January 2015.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year and are consistently applied in the consolidated financial statements.

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

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]
Amendment to HKAS 1	Disclosure Initiative[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

1 Effective for annual periods beginning on or after 1 January 2016.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective date not yet been determined.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW DISCLOSURE REQUIREMENT OF HONG KONG COMPANY ORDINANCE (Continued)

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

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW DISCLOSURE REQUIREMENT OF HONG KONG COMPANY ORDINANCE (Continued)

HKFRS 9 (2014) Financial Instruments

HKFRS 9 (2014) issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 (2014) 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 (2014) 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 (2014) also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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 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 fair value through other comprehensive income. 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 changes in the financial liabilities' 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 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.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW DISCLOSURE REQUIREMENT OF HONG KONG COMPANY ORDINANCE (Continued)

HKFRS 9 (2014) Financial Instruments (Continued)

- 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 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 significant impact on amounts reported in respect of the Group's financial assets and financial liabilities and it is not practical to provide a reasonable estimate of that effect 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. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: 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 a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND NEW DISCLOSURE REQUIREMENT OF HONG KONG COMPANY ORDINANCE (Continued)

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company and its subsidiary. Control is achieved where the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statement of profit of loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group assets and liabilities, equity, income and expenses are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less impairment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recognised when the services are rendered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the supply of goods or services or for administrative purposes other than construction in progress as described below are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in profit or loss.

Leasing

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid land use right" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from ‘profit before taxation’ as reported in the consolidated statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivables and other receivables are considered uncollectible, it is written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise bank deposits with original maturity of three months or less, cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the estimated timing and level of future taxable profits. Further details of which are disclosed in Note 22.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in Note 15, formal titles to certain of the Group's rights to the use of the buildings were not granted by the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise the buildings that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the buildings.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year/period and the estimate will be changed in the future period.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of the reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest selling prices and current market conditions. As at 31 December 2015, the carrying amounts of inventories of the Group were approximately RMB318,465,000 (2014: RMB244,935,000), net of accumulated allowances for inventories of approximately RMB1,524,000 (2014: RMB1,524,000).

Estimated impairment of trade and other receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit Statements. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 December 2015, the carrying amounts of trade and other receivables of the Group were approximately RMB1,025,871,000 (2014:RMB864,395,000), net of accumulated impairment losses of trade and other receivables of approximately RMB2,286,000 (2014:RMB2,896,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank borrowings, pledged bank deposits and bank balances and cash, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the redemption of borrowings.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 RMB'000	2014 RMB'000
Financial assets		
Loans and receivables (including bank balances and cash)	**1,477,685**	1,022,956
Financial liabilities		
Amortised Cost	**1,594,426**	1,236,775

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group mainly operates in the PRC. Majority of its revenue and operating costs and cost of sales are denominated in RMB. Certain bank balances and cash of the Group are denominated in the Hong Kong Dollars ("**HKD**") as at 31 December 2015. Such HKD denominated bank balances and cash are exposed to fluctuations in the value of RMB against HKD in which these bank balances and cash are denominated. Any significant appreciation/depreciation of the RMB against the HKD may result in significant exchange loss/gain which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, included in the bank balances and cash are the following amount denominated in HKD which is other than the functional currency of the relevant group entities to which it relates.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

	2015 RMB'000	2014 RMB'000
Bank balances and cash	**94,186**	–

The Group currently does not have foreign currency hedging policy. However, the directors of the Company monitors currency risk and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following details the Group's sensitivity to a 10% increase and decrease in RMB against HKD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As of 31 December 2015 if RMB had strengthened/weakened 10% (2014: Nil) against HKD, with all other variables held constant, the Group's profit for the year would have been approximately RMB9,418,000 lower/higher (2014: Nil), mainly as a result of foreign exchange losses/gains on translation of the HKD denominated bank balances and cash.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 19) and variable-rate bank borrowings (Note 21) carried at prevailing market rates for the year. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 basis point (2014: 50 basis point) increase or decrease is used for the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would increase/decrease by approximately RMB105,000 (2014: RMB848,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable rate bank borrowings.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables as of 31 December 2015 consist of a large number of customers, spreading across diverse industries and geographical areas.

Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	As at 31 December 2015		
	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	**1,303,776**	**1,303,776**	**1,303,776**
Bank borrowings			
– fixed rate	**110,877**	**110,877**	**107,168**
– variable rate	**189,831**	**189,831**	**183,482**
	1,604,484	**1,604,484**	**1,594,426**

	As at 31 December 2014		
	On demand or within 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and other payables	935,425	935,425	935,425
Bank borrowings			
– fixed rate	57,021	57,021	54,489
– variable rate	258,328	258,328	246,861
	1,250,774	1,250,774	1,236,775

Bank borrowings with a repayment on demand clause are included in the"on demand or within 1 year"time band in the above maturity analysis. At 31 December 2014, the aggregate undiscounted principal amounts of these bank loans for the Group amounted to RMB301,350,000, of which, RMB21,000,000 are not payable within one year with exception to the repayment on demand clause. At 31 December 2015, all the aggregate undiscounted principal amounts of these bank loans for the Group amounting to RMB290,650,000 are repayable within one year. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Group's aggregate principal and interest cash outflows will amount to RMB300,708,000 (2014: RMB315,349,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

(c) Fair value

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost using the effective interest rate method in the Financial Statements approximate to their fair values due to their immediate or short-term maturities.

7. 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:

	2015 RMB'000	2014 RMB'000
Turnover		
Sales of goods	**3,381,222**	3,004,747
Services income	**15,911**	9,312
	3,397,133	3,014,059
Other income		
Bank interest income	**4,650**	4,733
Government grant	**–**	500
Impairment loss reversed on trade and other receivables	**610**	–
Sundry income	**254**	12
	5,514	5,245

Note:

Included in the amount of government grants recognised during the year ended 31 December 2014 of approximately RMB500,000 (2015: Nil) was received in respect of the unconditional grants from government for subsidising the operations of the Group.

8. 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 directors 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 2014 and 2015.

9. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest expenses on bank borrowings	**18,472**	18,851
Interest expenses on discounted bills	**5,627**	3,981
	24,099	22,832

10. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current income tax		
– PRC Enterprise Income Tax	**14,949**	10,258
Deferred taxation (Note 22)	**267**	(768)
Total income tax expenses for the year	**15,216**	9,490

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 Company and its subsidiary is 25% for the both years.

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**41,575**	45,935
Tax at domestic income tax rate of 25%	**10,394**	11,484
Tax effect of expense not deductible for tax purposes	**4,822**	67
Utilisation of tax losses previously not recognised	**–**	(2,061)
Income tax expense for the year	**15,216**	9,490

Details of the deferred taxation are set out in Note 22.

11. PROFIT FOR THE YEAR

	2015 RMB'000	2014 RMB'000
Profit for the year has been arrived at after charging (crediting):		
Directors', supervisors' and senior management's emoluments (Note 13)		
– Salaries and allowances	**1,435**	565
– Retirement benefit scheme contributions	**157**	74
	1,592	639
Other staff costs		
– Salaries and allowances	**25,499**	20,705
– Retirement benefit scheme contributions	**5,235**	3,926
	30,734	24,631
Total staff costs	**32,326**	25,270
Cost of inventories sold	**3,232,431**	2,876,674
(Reversal of provision) allowance on inventories (included in cost of sales)	**(128)**	944
Loss on disposal of property, plant and equipment	**80**	233
Net impairment loss (reversed) recognised in respect of trade receivables	**(610)**	2,290
Depreciation of property, plant and equipment	**8,982**	9,725
Amortisation of prepaid lease payments	**2,496**	2,215
Listing expense	**23,866**	–
Operating lease payment on premises	**–**	251
Foreign exchange losses	**1,297**	–
Auditor's remuneration	**844**	239

12. EARNINGS PER SHARE

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

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share	**26,359**	36,445

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**81,611**	80,000

12. EARNINGS PER SHARE (Continued)

The weighted average number of ordinary share in issue during the year ended 31 December 2015 and 2014 represented 80,000,000 ordinary shares in issue before the Listing and the weighted average of 28,000,000 ordinary shares issued on 11 December 2015.

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 2015 and 2014.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors', supervisors' and senior management's emoluments

Details of emoluments paid and payable to the directors, supervisors and senior management of the Group for the year are as follows:

	Year ended 31 December 2015			
Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive directors:				
Yao Chuanglong	–	433	41	474
Lin Zhixiong (Note 1)	–	223	24	247
Zheng Yuyan (Note 1)	–	225	17	242
Fan Jianbo (Note 1)	–	223	24	247
Non-executive director:				
You Zeyan (Note 1)	29	–	–	29
Independent non-executive directors:				
Wan Chi Wai, Anthony (Note 2)	10	–	–	10
Zhou Tao (Note 2)	4	–	–	4
Guan Jian (also known as Guan Suzhe) (Note 2)	4	–	–	4
Supervisors:				
Zhang Ling (Note 1)	24	–	–	24
Zheng Xiyue	–	87	17	104
Zhang Hanzi	–	88	17	105
Senior management:				
Lin Zhijie	–	85	17	102
	71	1,364	157	1,592

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors', supervisors' and senior management's emoluments (Continued)

	Year ended 31 December 2014			
Name	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive director:				
Yao Chuanglong	–	184	26	210
Senior management:				
Lin Zhixiong	–	127	18	145
Zheng Yuyan	–	124	12	136
Fan Jianbo	–	130	18	148
	–	565	74	639

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2015 and 2014.

Mr. Yao Chuanglong is also the chief executive officer of the Company and the emoluments disclosed above include those for services rendered by him as the chief executive officer.

There were no performance related incentive payments to the directors, supervisors and senior management during the year ended 31 December 2015 and 2014.

Notes:

(1) Appointed on 25 May 2015.

(2) Appointed on 1 December 2015.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2014: four) were directors or chief executive of the Company for the year. The emoluments of the directors or chief executive are included in the disclosures in Note 13(a) above. The emoluments of the remaining one (2014: one) individual for the year ended December 2015 were as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other allowances	**113**	80
Retirement benefit scheme contributions	**14**	18
	127	98

There were no performance related incentive payments during the year (2014: Nil).

Their emoluments were within the following bands:

	2015	2014
Not more than RMB1,000,000	**1**	1

During the year, no emoluments were paid or payable by the Group to the directors, chief executive or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office (2014: Nil).

(c) Retirement benefit scheme

Pursuant to the regulations of the relevant authorities in the PRC, the Company and its subsidiary participate in respective government retirement benefit schemes (the "**Schemes**") whereby the Company and its subsidiary are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC.

14. DIVIDEND

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

No final dividend has been proposed since the end of the reporting period (2014: Nil).

No dividends have been paid or declared by the Group during the year ended 31 December 2014.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machineries RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	28,143	6,876	12,733	19,258	84,370	4,795	156,175
Additions	753	2,272	741	–	–	681	4,447
Disposals	(365)	(1,833)	–	–	–	–	(2,198)
Transfer	5,252	–	–	–	–	(5,252)	–
At 31 December 2014 and 1 January 2015	33,783	7,315	13,474	19,258	84,370	224	158,424
Additions	–	387	1164	–	429	173	2,153
Disposals	(41)	(514)	(4)	–	–	–	(559)
At 31 December 2015	33,742	7,188	14,634	19,258	84,799	397	160,018
ACCUMULATED DEPRECIATION							
At 1 January 2014	3,946	2,842	7,472	1,155	9,962	–	25,377
Provided for the year	2,908	810	2,372	963	2,672	–	9,725
Eliminated on disposals	–	(1,284)	–	–	–	–	(1,284)
At 31 December 2014 and 1 January 2015	6,854	2,368	9,844	2,118	12,634	–	33,818
Provided for the year	3,058	802	1,153	963	3,006	–	8,982
Eliminated on disposals	(5)	(440)	(4)	–	–	–	(449)
At 31 December 2015	9,907	2,730	10,993	3,081	15,640	–	42,351
CARRYING VALUES							
At 31 December 2015	23,835	4,458	3,641	16,177	69,159	397	117,667
At 31 December 2014	26,929	4,947	3,630	17,140	71,736	224	124,606

i) The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machineries	10% – 25%
Motor vehicles	10% – 33%
Office equipment	10% – 20%
Leasehold improvements	5% – 25%
Buildings	Over the shorter of term of the lease or 2.5%

ii) As at 31 December 2015, the Group's property, plant and equipment with carrying amounts of approximately RMB36,177,000 (2014: RMB56,783,000) have been pledged to secure bank borrowings granted to the Group.

iii) As of 31 December 2015, the official property title certificates of the Group's building with carrying value of approximately RMB55,721,000 (2014: RMB34,953,000) has not yet been issued by the relevant local government authorities. The directors of the Company are of the opinion that the Group's right and interest in such building will not be therefore severely prejudiced and the application of the title certificates are in progress.

16. PREPAID LAND USE RIGHT

	2015 RMB'000	2014 RMB'000
Prepaid land use right held in the PRC under medium-term lease and are analysed for reporting purposes as follows:		
Current asset	**2,778**	2,215
Non-current asset	**96,350**	71,251
	99,128	73,466

On 28 July 2015, the Group has entered into a sales and purchase agreement with 汕頭市國土資源局 (Shantou Municipal Bureau of Land and Resources), to acquire a land use right at consideration of approximately RMB28,158,000. The transaction was completed on 28 July 2015.

During the year, the amortisation charged to profit or loss is approximately RMB2,496,000 (2014: RMB2,215,000).

As at 31 December 2015, prepaid land use right with carrying amounts of approximately RMB71,250,000 (2014: RMB73,466,000) has been pledged to secure banking facilities granted to the Group.

17. INVENTORIES

	2015 RMB'000	2014 RMB'000
Finished goods	**318,465**	244,935

As at 31 December 2015, certain impaired inventories were sold, as a result, a reversal of impaired inventories of approximately RMB128,000 (2014: Nil) have been recognised and included in cost of sales respectively.

As at 31 December 2015, included in the above figures are the Group's inventories of approximately RMB250,000,000 (2014: RMB244,935,000), which have been pledged as security for bank borrowings.

18. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade receivables	**882,858**	728,765
Less: Impairment	**(2,286)**	(2,896)
	880,572	725,869
Bills receivables (Note)	**94,486**	69,732
	975,058	795,601
Prepayment	**49,185**	66,866
Other receivables	**1,628**	1,928
	1,025,871	864,395

The Group generally allows an average credit period of 0 – 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 at the end of the reporting period, which approximated the respective revenue recognition dates.

	2015 RMB'000	2014 RMB'000
0 to 60 days	**656,964**	587,856
61 to 180 days	**208,880**	114,664
181 to 365 days	**12,138**	16,523
Over 365 days	**2,590**	6,826
	880,572	725,869

18. TRADE AND OTHER RECEIVABLES (Continued)

The movements of impairment of trade receivables are as follows:

	2015 RMB'000	2014 RMB'000
Balance at the beginning of the year	**2,896**	652
Impairment losses recognised	**–**	2,357
Impairment losses reversed	**(610)**	(67)
Written off	**–**	(46)
Balance at the end of the year	**2,286**	2,896

The Group has individually assessed all receivables and provided in full for all receivables that are considered not recoverable. Impairment losses of approximately RMB2,286,000 (2014: RMB2,896,000) were recognised during 2015.

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

	Total RMB'000	Neither past due nor impaired RMB'000	Past due but not impaired Less than 30 days RMB'000	31 to 60 days RMB'000	61 to 180 days RMB'000	Over 180 days RMB'000
At 31 December 2015	**880,572**	**807,142**	**26,230**	**36,467**	**1,314**	**9,419**
At 31 December 2014	725,869	698,035	7,518	7,497	4,894	7,925

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 180 days.

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances and cash comprised of cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances at 31 December 2015 carried interest at the prevailing market rate of 0.35% (2014: 0.35% to 0.385%) per annum. The pledged deposits carried fixed interest rate of 4.35% (2014: 2.35% to 2.8%) per annum at 31 December 2015.

Pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2015, the Group's deposits amounting to approximately RMB345,370,000 (2014: RMB203,131,000) had been pledged to secure bank loans and bills falling due within one year and are therefore classified as current assets.

19. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH (Continued)

As of 31 December 2015, the Group's bank balances and cash denominated in RMB and HKD (2014: RMB). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

20. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables (Note (i))	**514,955**	377,184
Bills payables (Note (ii))	**777,108**	553,277
	1,292,063	930,461
Receipt in advance (Note (iii))	**11,511**	23,023
Other tax payables	**1,933**	1,788
Value-added tax payable	**38,411**	21,327
Accrued expenses and other payables	**11,713**	4,964
	1,355,631	981,563

Notes:

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

	2015 RMB'000	2014 RMB'000
0 to 30 days	**393,912**	259,906
31 to 60 days	**69,164**	60,689
61 to 180 days	**40,139**	47,360
181 to 365 days	**7,441**	4,938
Over 365 days	**4,299**	4,291
	514,955	377,184

The average credit period on purchase of goods is from 0 days 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 and guaranteed by Mr. Yao Chuanglong, the controlling shareholder of the company, Mr. Yao Chuxiong, the elder brother of Mr. Yao Chuanglong, Ms. You Zeyan, the spouse of Mr. Yau Chuanglong. Such guarantees were released upon listing of the Company's shares in December 2015.

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

21. BANK BORROWINGS

	2015 RMB'000	2014 RMB'000
Secured	**136,000**	225,000
Unsecured	**123,350**	54,350
Bills discounted with recourse	**31,300**	22,000
	290,650	301,350
Carrying amount of bank borrowings that are repayable on demand or within one year	**290,650**	280,350
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	21,000
	290,650	301,350

Notes:

(i) The group has both fixed-rate and variable-rate bank borrowings. The ranges of effective interest rates on the Group's fixed-rate and variable-rate bank borrowings are 4.79%–7.2% (2014: 6.00%–7.20%) and 6.00%–6.15% (2014: 6.15%–7.20) respectively.

(ii) The bank borrowings are all denominated in RMB as of each year ended 31 December 2015 and 2014.

(iii) As of year ended 31 December 2014, all bank borrowings were guaranteed by Mr. Yao Chuanglong, the controlling shareholder of the Company, Mr. Yao Chuxiong, the elder brother of Mr. Yao Chuanglong and Ms. You Zeyan, the spouse of Mr. Yao Chuanglong. Such guarantees were released upon listing of the Company's shares in December 2015.

(iv) As of year ended 31 December 2014, secured bank borrowings of the Group and the Company were secured by certain trade receivables, property plant and equipment and inventories held by the Group.

(v) The relevant guarantees and/or securities provided by Mr. Yao Chuanglong, Mr. Yao Chuxiong and Ms. You Zeyan were released upon listing of the Company's shares in December 2015.

22. DEFERRED TAXATION

The following is the analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 RMB'000	2014 RMB'000
Deferred tax assets	**840**	1,107

22. DEFERRED TAXATION (Continued)

The movements in deferred tax assets of the Group during the year are as follows:

	Impairment and allowances RMB'000
At 1 January 2014	339
Credited to consolidated statement of profit or loss and other comprehensive income during the year (Note 10)	768
At 31 December 2014 and 1 January 2015	**1,107**
Charged to consolidated statement of profit or loss and other comprehensive income during the year (Note 10)	**(267)**
At 31 December 2015	**840**

23. SHARE CAPITAL

	Paid-up capital RMB'000	**Number of shares in issue** '000	**Par value per share** RMB	**Issued capital** RMB'000	**Share capital** RMB'000
As at 1 January 2014 and 31 December 2014	80,000	–	N/A	–	80,000
Shares reform (Note (a))	(80,000)	80,000	1	80,000	–
Issue of shares (Note (b))	–	28,000	1	28,000	28,000
As at 31 December 2015	**–**	**108,000**	**1**	**108,000**	**108,000**

Notes:

(a) It represents the effect of the shares reform of the Company and transformed into a joint stock company with limited liability.

(b) On 11 December 2015, the Company issued a total of 28,000,000 shares of RMB1.00 each at a price of HK$8.60 per share as a result of the completion of a global offering. Of the total gross proceeds, approximately of RMB200,662,000, RMB28,000,000 representing the par value was credited to the Company's share capital and RMB172,662,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued shares was increased to 108,000,000 shares upon completion of the global offering.

24. RESERVES

(a) Capital reserve

The amount represented the surplus amount of shareholder contributions to Company over the registered capital of Company and amounts transferred from retained profits and statutory reserve as a result of share reform of the Company.

(b) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiary established and operated in the PRC are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owners.

25. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Property, plant and equipment	**80,745**	83,901
Prepaid land use right	**96,350**	71,251
Deferred taxation	**761**	945
Investment in a subsidiary (Note (i))	**50,000**	50,000
	227,856	206,097
Current assets		
Inventories	**122,257**	105,536
Prepaid land use right	**2,778**	2,215
Trade and other receivables	**579,332**	559,574
Amount due from a subsidiary (Note (ii))	**56,905**	63,423
Pledged bank deposits	**176,294**	136,197
Bank balances and cash	**138,332**	2,157
	1,075,898	869,102
Current liabilities		
Trade and other payables	**647,564**	599,552
Bank borrowings	**251,300**	227,000
Income tax payables	**1,681**	5,293
	900,545	831,845
Net current assets	**175,353**	37,257
Total assets less current liabilities	**403,209**	243,354
Capital and reserves		
Share capital (Note 23)	**108,000**	80,000
Reserves (Note (iii))	**295,209**	163,354
	403,209	243,354

25. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (i):

Particulars of subsidiary of the Company:

Name of subsidiary	Place of incorporation and operation	Class of shares held	Share capital	Proportion of ownership interest held by the Company Directly		Proportion of voting power held by the Company		Principal activities
				2015	2014	**2015**	2014	
				%	%	**%**	%	
佛山創美藥業有限公司 Foshan Chuangmei Medicine Co. Limited	PRC	Ordinary	Renminbi ("**RMB**") 50,000,000	**100**	100	**100**	100	Trading of pharmaceutical products and provision of related services

Note (ii): The amount is unsecured, interest-free and repayable on demand.

Note (iii): Movements in reserves

	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total RMB'000
At 1 January 2014	–	57,120	8,228	72,186	137,534
Profit and total comprehensive income for the year	–	–	–	25,820	25,820
Appropriation	–	–	3,029	(3,029)	–
At 31 December 2014	–	57,120	11,257	94,977	163,354
Profit and total comprehensive income for the year	–	–	–	17,523	17,523
Shares reform (Note (a))	–	82,530	(11,257)	(71,273)	–
Issuance of ordinary shares in connection with the listing of shares of the Company (Note (b))	172,662	–	–	–	172,662
Appropriation			2,757	(2,757)	–
Shares issue expenses	(12,330)	–	–	–	(12,330)
Dividends paid	–	–	–	(46,000)	(46,000)
At 31 December 2015	**160,332**	**139,650**	**2,757**	**(7,530)**	**295,209**

Notes:

(a) It represents the effect of the shares reform of the Company. The retained profits and statutory reserve as of 31 March 2015 are transferred to capital reserve.

(b) In connection with the Company's global offering, the Company issued 28,000,000 ordinary shares of RMB1.00 each at a price of HK$8.60 each for a total consideration (before expenses) of approximately RMB200,662,000. Dealing of the Company's shares on the Main Board of The Stock Exchange commenced on 14 December 2015.

26. OPERATING LEASE COMMITMENT

The Group leases certain of its factory premises and offices under operating lease arrangements. Lease for properties are negotiated for terms ranging from one to three years and rentals are fixed.

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating lease which fall due as follows:

	2015 **RMB'000**	2014 RMB'000
Within one year	–	251
In the second to fifth year inclusive	–	1,004
Over fifth year	–	1,192
	–	2,447

27. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Consolidated Financial Statements, the Group has entered into the following significant transactions with related parties during the year.

(a) Compensation of key management personnel

Other than the remuneration paid to the directors and employees of the Group as set out in Note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(b) Banking facilities

At 31 December 2014, certain bank borrowings and bills payables of the Group with carrying amounts of approximately RMB854,627,000 (2015: Nil) were guaranteed by Mr. Yao Chuanglong, the controlling shareholders in which approximately RMB800,033,000 (2015: Nil) were also guaranteed by his spouse, Ms. You Zeyan. Such guarantees were released upon listing of the Company's shares in December 2015.

At 31 December 2014, Mr. Yao Chuxiong ceased to be a shareholder of the Company.

The guarantee provided by Mr. Yao Chuanglong and Ms. Youzeyan was released upon the listing of the Company's shares on the Stock Exchange.

28. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets transferred to banks by discounting those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as an unsecured borrowing (see Note 21). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2015 RMB'000	2014 RMB'000
Bills receivable discounted to banks with full recourse:		
Carrying amount of transferred assets	**32,054**	22,742
Carrying amount of associated liabilities	**31,300**	22,000

The maturity dates of bills receivables have not yet due at the end of each reporting period. As the Group still exposed to credit risk on these receivables at the end of each reporting period, the cash received from discounted bills discounted to banks for which the maturity dates have not yet been due are recognised as current liabilities in the consolidated statement of financial position.

Create a healthy and beautiful life