創美·CH'MEI

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

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

(Stock Code: 2289)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL SUMMARY

- In 2015, the turnover of the Group was RMB3,397.13 million, increased by 12.71% as compared to RMB3,014.06 million in 2014.
- In 2015, profit attributable to the Shareholders was RMB26.36 million, decreased by 27.67% as compared to RMB36.45 million in 2014.
- In 2015, basic and diluted earnings per Share was RMB32.30 cents as compared to RMB45.56 cents in 2014.
- The Board does not recommend the distribution of final dividend.

ANNUAL RESULTS

The Board (the "**Board**") of Directors (the "**Directors**") of Chuangmei Pharmaceutical Co., Ltd. (the "**Company**" or "**us**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2015, together with the comparative figures for the year ended 31 December 2014.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015**	2014
		RMB'000	*RMB'000*
Turnover	*3*	**3,397,133**	3,014,059
Cost of sales		**(3,232,431)**	(2,877,618)
Gross profit		**164,702**	136,441
Other income	*3*	**5,514**	5,245
Selling and distribution expenses		**(40,296)**	(35,757)
Administrative expenses		**(64,246)**	(37,162)
Finance costs	*5*	**(24,099)**	(22,832)
Profit before taxation		**41,575**	45,935
Income tax expense	*6*	**(15,216)**	(9,490)
Profit for the year attributable to the owners of the Company	*7*	**26,359**	36,445
Earnings per share			
Basic and diluted (RMB cents)	*8*	**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		**117,667**	124,606
Prepaid land use right		**96,350**	71,251
Deferred taxation		**840**	1,107
		214,857	196,964
Current assets			
Inventories		**318,465**	244,935
Prepaid land use right		**2,778**	2,215
Trade and other receivables	*10*	**1,025,871**	864,395
Pledged bank deposits		**345,370**	203,131
Bank balances and cash		**155,629**	22,296
		1,848,113	1,336,972
Current liabilities			
Trade and other payables	*11*	**1,355,631**	981,563
Bank borrowings		**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		**108,000**	80,000
Reserves		**306,256**	165,565
		414,256	245,565

NOTES:

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 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.

* *English name for identification purpose only*

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.

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.

- 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.

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. 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	2014
	RMB'000	*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.

4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Group, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. The 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.

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

	2015 *RMB'000*	2014 *RMB'000*
Current income tax		
– PRC Enterprise Income Tax	**14,949**	10,258
Deferred taxation	**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.

7. 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		
– Salaries and allowances	**1,435**	184
– Retirement benefit scheme contributions	**157**	26
	1,592	210
Other staff costs		
– Salaries and allowances	**25,499**	21,086
– Retirement benefit scheme contributions	**5,235**	3,974
	30,734	25,060
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) recongised 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

8. EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary share in issue during the years 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.

9. 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.

10. TRADE AND OTHER RECEIVABLES

	2015	2014
	RMB'000	*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	2014
	RMB'000	*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

Note: All bills receivables are with ageing within 180 days.

11. TRADE AND OTHER PAYABLES

	2015	2014
	RMB'000	*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	2014
	RMB'000	*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 the Company 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. Yao 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.

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, the Company 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 retail pharmacy stores and 1,244 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 fees of RMB23.87 million in the administrative expenses. Should such listing fees be excluded, the proportion of administrative expenses to the turnover would be 1.19%. Should the listing fees 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 Company 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 Company's prospectus dated 2 December 2015 (the "**Prospectus**").

FINANCIAL REVIEW

Turnover

	For the year ended 31 December	
	2015	2014
	RMB'000	*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.

	For the year ended 31 December	
Customer type	**2015**	2014
	RMB'000	*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 fees of RMB23.87 million. Should the listing fees 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 fees 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 fees 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 fees 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 fees 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 issued 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 of the Company, the Group has no other future plans related to the material investments and capital assets.

Material acquisitions and disposals related to the subsidiaries and affiliated companies

During the year ended 31 December 2015, the Group had no material acquisitions and disposals related to the subsidiaries and affiliated companies.

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 consolidated 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).

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members of the Company to attend the forthcoming annual general meeting (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 pm on 3 May 2016.

CORPORATE GOVERNANCE PRACTICES

The Company had been complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") during the period from the successful listing on the Main Board of the Stock Exchange on 14 December 2015 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 and Supervisors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of conduct in dealings with securities for the Directors and Supervisors of the Company. Having made enquiries with all Directors and Supervisors of the Company, the Company confirmed that all Directors and Supervisors have complied with the required standard set out in the Model Code during the period from the listing on the Main Board of the Stock Exchange on 14 December 2015 to 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the successful listing on the Main Board of the Stock Exchange on 14 December 2015 to 31 December 2015, the Company and its subsidiaries have not purchased, sold or redeemed any listed securities of the Company.

IMPORTANT EVENTS AFTER THE END OF REPORTING PERIOD

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

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

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

The Audit Committee of the Company, together with the management of the Company and the external auditor, had conducted review on the accounting principles and policies adopted by the Group and audited consolidated Financial Statements for the year ended 31 December 2015.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.chmyy.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2015 will be dispatched to Shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 23 March 2016

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