JINTIAN
金天集团

JINTIAN PHARMACEUTICAL GROUP LIMITED
金天醫藥集團股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2211)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

ANNUAL RESULTS HIGHLIGHTS

	2013	2012	2013 VS 2012
	RMB'000	*RMB'000*	
Revenue	**3,323,499**	2,326,292	43%
Gross Profit	**936,418**	545,769	72%
Profit and total comprehensive income attributable to owners of the Company	**355,103**	213,760	66%
Earnings per share attributable to owners of the Company (RMB Yuan)			
Basic	**0.22**	0.13	69%
Diluted	**0.22**	0.13	69%

The board of directors (the "Board") of Jintian Pharmaceutical Group Limited (the "Company", "Jintian Pharma", "we" or "our" or "us") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2013 *RMB'000*	2012 *RMB'000*
Revenue	*4*	**3,323,499**	2,326,292
Cost of sales	*5*	**(2,387,081)**	(1,780,523)
Gross profit		**936,418**	545,769
Selling and marketing expenses	*5*	**(332,678)**	(188,887)
Administrative expenses	*5*	**(83,040)**	(41,974)
Other income		**294**	1,122
Other losses – net		**(1,511)**	(14,275)
Operating profit		**519,483**	301,755
Finance income	*7*	**2,359**	3,176
Finance costs	*7*	**(3,526)**	(188)
Finance (cost)/income – net	*7*	**(1,167)**	2,988
Share of profit of joint ventures		**1,530**	1,137
Profit before income tax		**519,846**	305,880
Income tax expense	*8*	**(134,786)**	(78,517)
Profit and total comprehensive income for the year		**385,060**	227,363
Profit and total comprehensive income attributable to:			
– Owners of the Company		**355,103**	213,760
– Non-controlling interests		**29,957**	13,603
		385,060	227,363
Earnings per share attributable to owners of the Company (RMB Yuan)			
– Basic	*9*	**0.22**	0.13
–Diluted	*9*	**0.22**	0.13
Proposed final dividends	*10*	**–**	–

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2013 RMB'000	2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**75,904**	46,901
Intangible assets		**443,734**	354,606
Investments in joint ventures		**5,249**	3,719
Prepayment for intangible assets		**2,103**	2,103
Deferred income tax assets		**10,797**	9,297
		537,787	416,626
Current assets			
Trade and other receivables	*11*	**361,805**	273,730
Inventories		**271,748**	249,442
Financial assets at fair value through profit or loss		**–**	96,958
Restricted cash		**8,643**	22,474
Cash		**1,564,248**	455,916
		2,206,444	1,098,520
Total assets		**2,744,231**	1,515,146
Equity			
Equity attributable to owners of the Company			
Share capital		**12,259**	–
Reserves		**1,559,795**	20,636
– Proposed final dividend		**–**	–
– Others		**1,559,795**	20,636
Retained earnings		**782,838**	528,145
		2,354,892	548,781
Non-controlling interests		**100,884**	79,377
Total equity		**2,455,776**	628,158
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**23,011**	24,869
Current liabilities			
Trade and other payables	*12*	**216,881**	831,997
Current income tax liabilities		**48,563**	30,122
		265,444	862,119
Total liabilities		**288,455**	886,988
Total equity and liabilities		**2,744,231**	1,515,146
Net current assets		**1,941,000**	236,401
Total assets less current liabilities		**2,478,787**	653,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 12 March 2012, as an exempted company with limited liabilities under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Group are principally engaged in the distribution and retail of drugs and other pharmaceutical products in the northern region of the People's Republic of China (the "PRC").

2. BASIS OF PRESENTATION AND PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. APPLICATION OF NEW AND REVISED IFRSs

The Group has not applied the following new and revised IFRSs, amendments and interpretations that have been issued but are not yet effective, in these financial statements.

IAS 32 (Amendments)	'Financial instruments: Presentation' on asset and liability offsetting[1]
IAS 36 (Amendments)	Recoverable amount disclosures for non-financial assets[1]
IAS 39 (Amendments)	Novation of derivatives[1]
IFRS 10, IFRS 12 and IAS 27 (Amendments)	Investment entities[1]
IFRS 7 and IFRS 9 (Amendments)	Mandatory effective date and transition disclosures[3]
IFRS 9	Financial Instruments[3]
IFRIC Int 21	Levies[1]
Annual Improvements Project	Annual Improvements 2010-2013 cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Effective for annual periods beginning on or after 1 January 2015

The Directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the results of operations and financial positions of the Group.

4. REVENUE AND SEGMENT INFORMATION

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the distributions and retails of drugs and other pharmaceutical products in the northern region of the PRC. Separate individual financial information for distributions and retails are presented to the Board who reviews the internal reports in order to assess performance and allocate resources. Due to the differences in economic characters, customers etc, for distributions, retails and others respectively, the distributions, retails and others are considered to be three reportable segments in accordance with IFRS 8 "Operating Segment". The "others" segment mainly comprises investment companies.

The Group's principal market is the northern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues for the year ended 2013 and 2012. Accordingly, no geographical segment is presented.

Sales between segments are carried out at arm's length. The revenue from external customers and the cost, the total assets and the total liabilities are measured in a manner consistent with that of the Group's consolidated financial statements.

The Board assesses the performance of the operating segments based on a measure of EBITDA.

The segment information provided to the Board for the reportable segments for the year ended 31 December 2013 and as at 31 December 2013 is as follows:

	Year ended 31 December 2013			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**1,930,841**	**1,549,789**	**–**	**3,480,630**
Inter-segment revenue	**(157,131)**	**–**	**–**	**(157,131)**
Revenue from external customers	**1,773,710**	**1,549,789**	**–**	**3,323,499**
EBITDA	**204,714**	**361,552**	**(19,316)**	**546,950**
Depreciation and amortisation	**4,007**	**23,460**	**–**	**27,467**
Finance income	**923**	**1,053**	**383**	**2,359**
Finance costs	**(986)**	**(138)**	**(2,402)**	**(3,526)**
Income tax expense	**51,253**	**83,780**	**(247)**	**134,786**

	As at 31 December 2013			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Total assets before eliminations	**1,105,829**	**981,716**	**1,551,168**	**3,638,713**
Inter-segment assets	**(266,064)**	**(2,459)**	**(625,959)**	**(894,482)**
Total assets	**839,765**	**979,257**	**925,209**	**2,744,231**
Additions of non-current assets	**869**	**146,675**	**–**	**147,544**
Total liabilities before eliminations	**173,551**	**257,742**	**47,920**	**479,213**
Inter-segment liabilities	**(44,762)**	**(143,546)**	**(2,450)**	**(190,758)**
Total liabilities	**128,789**	**114,196**	**45,470**	**288,455**

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2012 and as at 31 December 2012 is as follows:

	Year ended 31 December 2012			
	Distributions	Retails	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,452,524	912,203	–	2,364,727
Inter-segment revenue	(38,435)	–	–	(38,435)
Revenue from external customers	1,414,089	912,203	–	2,326,292
EBITDA	150,099	183,702	(18,185)	315,616
Depreciation and amortisation	4,137	9,724	–	13,861
Finance income	2,990	586	(400)	3,176
Finance costs	(129)	(48)	(11)	(188)
Income tax expense	37,635	40,635	247	78,517

	As at 31 December 2012			
	Distributions	Retails	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	849,891	761,957	646,008	2,257,856
Inter-segment assets	(199,753)	(10,953)	(532,004)	(742,710)
Total assets	650,138	751,004	114,004	1,515,146
Additions of non-current assets	4,165	303,101	1,460	308,726
Total liabilities before eliminations	384,350	243,518	646,759	1,274,627
Inter-segment liabilities	(300,364)	(77,668)	(9,607)	(387,639)
Total liabilities	83,986	165,850	637,152	886,988

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

5. EXPENSE BY NATURE

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Changes in inventories	**2,370,195**	1,768,843
Employee benefit expenses *(Note 6)*	**168,502**	93,167
Advertising and other marketing expenses	**48,156**	22,125
Transportation and related charges	**56,607**	40,392
Rental expenses	**67,653**	38,516
Tax expenses	**21,025**	14,763
Professional fee incurred for initial public offering	**18,281**	–
Office and communication expenses	**9,769**	8,191
Depreciation of property, plant and equipment	**19,480**	8,787
Amortisation of intangible assets	**7,987**	5,074
Travelling and meeting expenses	**1,377**	3,043
Professional fees	**1,962**	2,938
Auditors' remuneration	**3,000**	1,980
Electricity and other utility fees	**2,968**	1,249
License fee of trademarks	**3,250**	–
Other expenses	**2,587**	2,316
	2,802,799	2,011,384

6. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Wages and salaries	**119,992**	67,192
Contributions to pension plan	**44,726**	23,561
Other benefits	**3,784**	2,414
	168,502	93,167

7. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Finance income		
Exchange gains	**–**	703
Interest income on bank deposits	**2,359**	2,473
	2,359	3,176
Finance costs		
Exchange losses	**(3,258)**	–
Other charges	**(268)**	(188)
	(3,526)	(188)
Finance (cost)/income-net	**(1,167)**	2,988

8. INCOME TAX EXPENSES

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Current income tax	**138,144**	85,892
Deferred income tax credit	**(3,358)**	(7,375)
Total income tax expense	**134,786**	78,517

The difference between the actual taxation charge in the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Profit before income tax	**519,846**	305,880
Tax calculated at a PRC statutory tax rate of 25%	**129,962**	76,470
Tax effects of		
– Expenses not deductible for tax purpose	**1,436**	1,345
– Income not subject to tax	**(1,092)**	(58)
– Tax losses for which no deferred income tax asset was recognised	**1,394**	2,927
– Effect of different applicable tax rates for certain subsidiaries	**3,469**	(1,883)
– Joint ventures results reported net of tax	**(383)**	(284)
Income tax expense	**134,786**	78,517

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2013. The subsidiaries of the Group in PRC are subject to corporate income tax at a rate of 25% on its taxable income or deemed profit method as determined in accordance with the relevant PRC income tax rules and regulations.

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2013 and 2012, the 1,000 shares issued and allotted on 12 March 2012, the 1 share issued and allotted on 11 November 2013, and the 1,599,998,999 shares issued and allotted through capitalisation of the share premium account arose from the listing of the Company on 12 December 2013 have been regarded as if all the 1,600,000,000 shares were in issue since 1 January 2012.

	Year ended 31 December	
	2013	2012
Profit attributable to equity owners of the Company *(RMB'000)*	**355,103**	213,760
Weighted average number of ordinary shares in issue *(thousand)*	**1,620,822**	1,600,000
Basic earnings per share *(RMB Yuan)*	**0.22**	0.13

(b) Diluted

No diluted earnings per share is presented as the Group has no dilutive potential ordinary shares for the years ended 2013 and 2012.

10. DIVIDENDS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Interim dividend paid	**–**	–
Proposed final dividend	**–**	–
Dividends paid	**85,764**	–

11. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade receivables *(a)*	**194,363**	179,442
– Due from related parties	**527**	1,269
– Due from third parties	**193,836**	178,173
Prepayments	**93,340**	83,520
– Prepayments of rental expense	**31,831**	41,876
– Prepayments of goods due from related parties	**38,553**	17,469
– Prepayments of the fees for the use of trademarks from related parties	**3,240**	–
– Prepayments of goods and services due from third parties	**14,151**	20,348
– Value added tax input credits	**5,565**	3,827
Other receivables	**74,102**	10,768
– Deposits receivables	**6,862**	6,603
– Advance to employees	**2,172**	1,408
– Expense paid on behalf of a related party	**–**	423
– Initial public offering proceeds hold by the sponsor	**61,301**	–
– Others	**3,767**	2,334
Total	**361,805**	273,730

The carrying amounts of receivables approximate their fair values.

(a) Retail sales at the Group's pharmacies are usually made in cash or debt or credit cards. For distribution to distributors, there is no concentration of credit risk with respect to trade receivables, as the majority of the Group's sales are settled in cash on delivery of goods. The remaining amounts are with credit items of 0~90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Up to 3 months	**183,627**	165,633
4 to 6 months	**2,795**	11,780
7 to 12 months	**7,941**	2,029
	194,363	179,442

As at 31 December 2013 and 2012, the trade receivables of RMB10,736,000 and RMB13,809,000 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Past due up to 3 months	**2,795**	11,780
Past due 4 to 6 months	**7,941**	2,029
	10,736	13,809

12. TRADE AND OTHER PAYABLES

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Trade payables(a)	**85,119**	99,204
– Due to related parties	**–**	17,962
– Due to third parties	**85,119**	81,242
Notes payable(b)	**8,643**	42,088
– Due to third parties	**8,643**	42,088
Other payables(c)	**123,119**	690,705
– Due to related parties	**–**	640,742
– Due to third parties	**123,119**	49,963
	216,881	831,997

(a) Details of ageing analysis of trade payables were as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Up to 3 months	**82,796**	91,430
4 to 6 months	**2,069**	4,376
7 to 12 months	**68**	3,085
1 year to 2 years	**166**	304
2 years to 3 years	**20**	9
	85,119	99,204

(b) As at 31 December 2013 and 2012, the entire balance of notes payable was secured by restricted cash of RMB8,643,000 and RMB22,474,000.

(c) Details of other payables are as follows:

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
Salary and welfare payable	**44,649**	24,561
Sales commissions and marketing expenses	**10,208**	14,778
Shareholder's loan	**–**	626,429
Due to related parties	**–**	14,313
Other taxes	**21,989**	5,400
Deposits payable	**–**	1,140
Consideration payable	**–**	1,041
Payable to non-controlling investors	**–**	636
Payable for professional fee incurred for initial public offering	**40,999**	–
Others	**5,274**	2,407
	123,119	690,705

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2013, China's economy stabilized with positive growth momentum. According to the National Bureau of Statistics, China's GDP grew by 7.7 % to reach RMB56,884.5 billion last year, a growth rate on the par with the same period in 2012 in terms of comparable price. As the country embraces continuous rise in disposable income, accelerating urbanization and aging demographics, the population attaches ever greater importance to health and quality of life, leading to the sustained expansion in inelastic demand for healthcare services and drugs, and in turn, a robust growth in China's pharmaceutical industry. China's pharmaceutical sales market is expected to continue to grow at a CAGR of over 20%, reaching RMB2,336 billion in 2016.

2013 was the second year for the comprehensive implementation of the government's detailed plans to deepen its medical and health system reform in the Twelfth-Five Year Plan Period, and a crucial year for such reform. The initiation of this round of medical and health system reform has brought some key developments: A universal medical insurance system is now in operation; an initial framework of basic medical and health system was put in place; and some solid foundations were laid for accelerated growth of healthcare industry down the road. In October 2013, the State Council issued the Opinions on Promoting the Development of Health Service Industry (《關於促進健康服務業發展的若干意見》), which explicitly proposes to establish a well-rounded and structured health care system that basically covers a citizen's full life cycle, with the aim to create a number of healthcare service industry segments featuring a group of top brands and virtuous cyclical effects by 2020. The Opinions foresees a health services industry with a scale of over RMB8 trillion, a powerful driving force for sustainable economic and social development. This plan provides opportunities to further facilitate the transformation and upgrading of retail pharmacies.

Northeast China consists of three provinces, namely Jilin, Heilongjiang and Liaoning. According to these provincial Bureaus of Statistics, these provinces all outperformed the national average in both annual GDP growth rate and per capital GDP growth rate from 2008 to 2012. In the context of rapid GDP growth, population aging, the urbanization drive, government support for the medical insurance system and other socio-economic dynamics, the pharmaceutical market of Northeast China grew from RMB37.6 billion in 2008 to RMB76.3 billion in 2012, representing a 5-year CAGR of 19.4% and is expected to reach RMB154 billion in 2016. Despite the tremendous market potential, pharmaceutical retail industry in Northeast China is highly fragmented and competitive in the absence of major national pharmaceutical retailers with dominant market share. In view of the rising tide of acquisition and consolidation in pharmaceutical industry over the recent years, the leading regional pharmacies are expected to lead and benefit from development of pharmaceutical retail industry in Northeast China.

According to the Southern Medicine Economy Research Institute of China Food and Drug Administration (國家食品藥品監督管理局南方醫藥經濟研究所), rapid urbanization development in Northeast China directly contributes to the growth of a more attractive pharmaceutical market with a higher level of per capita healthcare spending compared to areas in China with slower trend of urbanization. Total sales of pharmaceuticals to customers through retail pharmacies in Northeast China grows from RMB8.3 billion in 2008 to RMB16.1 billion in 2012, representing a CAGR of 18.1%. In 2012, the pharmaceutical retail market sales in Northeast China accounted for 7.1% of the national total. In addition, Northeast China is equipped with an extensive pharmaceutical distribution network where the sales of each of the top five pharmaceutical distributors in 2012 exceeded RMB1 billion. With the unfolding of a new stage of the region's urbanization process, the pharmaceutical retail and distribution market in Northeast China is expected to sustain the momentum of rapid growth.

BUSINESS REVIEW

During the twelve months ended 31 December 2013 (the "Reporting Period"), Jintian Pharma strived to optimize its market footprint, expanded sales channels and networks through strategic acquisitions. Together with its consistently sound management and flexible market strategies, the Company further consolidated and strengthened the existing business base, which will continue to drive its further development.

In December 2013, the Company successfully completed its equity public offering and listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), raising total net proceeds of approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million). This was another important milestone in the business development of the Group. Through the listing, the Company established a platform for international capital market, securing its solid financial position for continuous business expansion and enhancement of its business model, which broadens the space for the future development of the Company.

- **RETAIL BUSINESS SEGMENT**

  During the Reporting Period, the Company continued to expand its retail network through organic growth and acquisitive expansion. The Company successfully acquired 192 retail pharmacies and opened 3 new ones. As at 31 December 2013 , the Company had 794 retail pharmacies in total, of which 688 located in Heilongjiang, 93 in Liaoning, 10 in Jilin and 3 self-operated retail pharmacies in Hong Kong. Our self-operated pharmacies in Hong Kong will play an important role as our liaison between domestic and international markets, including approaching internationally well-known pharmaceutical and healthcare product suppliers and introducing suitable high-end pharmaceutical and healthcare products into the PRC market.

  In addition to the retail pharmacies, the Company opened 15 supermarkets in Shenyang during the Reporting Period, selling healthcare products and consumer goods. The supermarkets are operated under the "Jintian Aixin (金天愛心)" brand, and are each named "Jintian Aixin Life Supermarket (金天愛心生活超市)".

In respect of retail product mix, the Company offers our customers a wide range of pharmaceutical products (including prescription and OTC products), healthcare products, medical devices and other personal and family care products at competitive prices.

- **DISTRIBUTION BUSINESS SEGMENT**

Focusing on high margin products (including licensed products and products with exclusive distribution rights), the Company has established an effective Direct-supply Model and has an extensive nationwide distribution network with large number of end-customers (i.e. third-party retail pharmacies, hospitals and clinics). As at 31 December 2013, our distribution product mix consisted of over 19,000 types of products, which includes 371 types of licensed products offered under four product lines (i.e. Yu Shi (禦室), Kangyisheng (康醫生), Shequyisheng (社區醫生) and Taoqimao (淘氣猫)), and approximately 950 types of products with exclusive distribution rights of. Revenue and gross profit of high margin products accounted for 32.7% and 57.5% of total revenue and gross profit of distribution business, respectively. The Company had a nationwide distribution network covering approximately 3,800 customers, including approximately 2,600 pharmaceutical retailers, hospitals and clinics and approximately 1,200 distributors. The Company also had four logistics centres in Shijiazhuang, Harbin, Jiamusi and Changchun.

- **OTHER BUSINESS SEGMENT**

Other business segment of the Company is managerial business.

- **DIRECT-SUPPLY MODEL**

Our established effective Direct-supply Model enables the Company to streamline our supply chain by eliminating and reducing distribution intermediaries and enhance distribution efficiency and profitability. Through provision of value-added services, the Company has established closer partnership with suppliers, which lays a foundation for the Company to continue to obtain high margin products. As at 31 December 2013, revenue and gross profit generated through our Direct-supply Model accounted for 26.8% and 41.5% of total revenue and gross profit of the Company, respectively. Our unique Direct-supply Model will continue to allow the Company to achieve a profit margin which is higher than the industry average.

- **STRATEGIC BUSINESS ACQUISITIONS**

Strategic acquisitions have historically been the most efficient method for our expansion. Relying on the extensive experience of our management team in identifying targets with high growth potential and integrating the acquired businesses, we acquired 192 retail pharmacies during the Reporting Period. After completion of acquisitions, we implemented our proven product mix, advanced business model and sophisticated operation procedures in the acquired businesses through training programs provided through Jintian Institute. We also conducted comprehensive evaluation on the staff of newly acquired businesses, implemented a uniform employee incentive system and provided employees with training to make them accustomed to the Company's corporate culture and management philosophy.

- **CENTRALISED PROCUREMENT PLATFORM**

  During the Reporting Period, through a number of measures such as further optimizing procurement process, sorting and optimizing procurement catalogues, strengthening assessment and control of cooperated suppliers and providing more value-added services to suppliers, the Company not only effectively controlled the procurement costs, but also accelerated the process of product serialization and branding.

- **MEMBERSHIP PROGRAM**

  Our member base grew rapidly during the Reporting Period. As at 31 December 2013, the Company had over 960,000 members. During the Reporting Period, in addition to the traditional discounts on purchases and membership points, our members also were provided with additional value-added services, such as free body check-ups, give-away and affectionate services, which further promoted customer loyalty, increased brand awareness and generated continuous sales growth for our pharmacies. The membership program has become a strong driver for our sales revenue.

- **JINTIAN INSTITUTE**

  Jintian Institute is our in-house training and development centre, providing training to our employees as well as our important distribution customers. During the Reporting Period, Jintian Institute provided 190 training sessions to our employees, systematically and effectively improving our employees' sales skills and understanding of our corporate culture. As an effective marketing tool, Jintian Institute also strategically provided 47 training sessions to our customers and potential customers, which not only effectively increased sales of our high margin products, but also helped us maintain mutually beneficial relationships with our customers and enhanced our corporate image.

- **E-COMMERCE**

  The Company is committed to developing an e-commerce pharmaceutical retail business through cooperation with third-party internet service providers. During the Reporting Period, the Company has obtained the licences required for the e-commerce business and the value-added telecom service operation licence from the relevant provincial administrators of communications. We believe the e-commerce business will increase our retail revenue, enhance our market position and brand awareness, and extend our current retail network.

FINANCIAL REVIEW

For the twelve months ended 31 December 2013, the Company recorded revenue of RMB3,323.5 million, representing an increase of RMB997.2 million or 42.9% as compared with RMB2,326.3 million last year. Consolidated gross margin was 28.2%, representing an increase of 4.7% as compared with 23.5% last year. Profit attributable to shareholders was RMB355.1 million, representing an increase of 66.1% as compared with RMB213.8 million for the corresponding period of last year. Diluted earnings per share amounted to RMB0.22, representing an increase of 69.2% as compared with RMB0.13 in 2012.

Revenue

Through implementation of effective marketing strategies and smooth integration of newly acquired businesses during the Reporting Period, the Group achieved significant growth in both retail and distribution businesses. For the twelve months ended 31 December 2013, the Group recorded revenue of RMB3,323.5 million, representing an increase of RMB997.2 million or 42.9% as compared with the corresponding period of last year.

Retail Business Segment

During the Reporting Period, revenue from retail business was RMB1,549.8 million, representing an increase of 69.9% as compared with RMB912.2 million in 2012 and accounting for 46.6% of the Group's revenue. The Company accelerated the organic growth of retail business through expanding member base, increasing the consumption per member and introducing more personalized services and product mix which are better adapted to the needs of customers. For example, revenue from companies acquired in 2011 increased by 62.8% during the Reporting Period as compared with 2012. During the Reporting Period, the four retail companies and 40 contracted stores acquired in 2012 entered into high growth stage through successful integration and reported strong growth of revenue, which is another driver for our significant increase in retail revenue.

Distribution Business Segment

During the Reporting Period, the Group's revenue from distribution business was RMB1,773.7 million, representing an increase of 25.4% as compared with RMB1,414.1 million in 2012. The increase of revenue from distribution business was due to the organic growth. The Company achieved rapid growth of revenue from distribution business through a number of measures such as providing more specific value-added service to key customers, intensifying efforts to explore new quality customers, and strengthening the provision of training related to high margin products and promotion of those products.

While improving the revenue, the Group was increasingly focused on the promotion and sales of high margin products. Revenue from our licensed products and products with exclusive distribution rights increased by RMB315.5 million or 48.5% from RMB650.6 million in 2012 to RMB966.1 million in 2013, contributing 31.6% to the total growth of revenue, of which revenue from licensed products increased by RMB214.0 million or 121.5% from RMB176.1 million in 2012 to RMB390.1 million in 2013, while revenue from products with exclusive distribution rights increased by 21.4% from RMB474.5 million in 2012 to RMB576.0 million in 2013.

Cost of Sales

For the twelve months ended 31 December 2013, cost of sales of the Group was approximately RMB2,387.1 million, representing an increase of 34.1% as compared with RMB1,780.5 million for the twelve months ended 31 December 2012, mainly attributable to the growth of revenue. The growth of cost of sales was lower than that of revenue, because the Company attached more importance to the promotion and sales of high margin products in 2013.

Gross Profit

Due to the above reasons, gross profit of the Group during the Reporting Period was approximately RMB936.4 million, representing an increase of 71.6% as compared with RMB545.8 million for the twelve months ended 31 December 2012, of which gross profit from retail business increased significantly by approximately 89.2% to RMB605.2 million, while gross profit from distribution business rose by approximately 46.6% to RMB331.2 million. Gross margins of the Group in 2013 and 2012 reached 28.2% and 23.5%, respectively, of which gross margins of retail business in 2013 and 2012 were 39.1% and 35.1%, respectively, while gross margins of distribution business were 18.7% and 16.0%, respectively. The significant increase of gross margin in 2013 as compared to 2012 was mainly attributable to the above-mentioned strong growth of revenue from licensed products and products with exclusive distribution rights. In addition, the Company also achieved improvement of gross margin through successful adjustment of product structure of acquired companies and more retail-oriented strategy, which helped the Company to increase the contribution of revenue from retail business to total revenue from 39.2% in 2012 to 46.6% in 2013.

Selling and Marketing Expenses

Sales and marketing expenses increased by 76.1% from RMB188.9 million for the twelve months ended 31 December 2012 to RMB332.7 million for the twelve months ended 31 December 2013. The increase was mainly due to our business expansion. In particular, we acquired Shenyang Wei Kang Drug Store Co., Ltd. in August 2012 and other new businesses in 2013, which led to the rise of employees' compensation expenses, rental expenses, transportation and related costs. In addition, in order to accelerate the promotion of licensed products, the Company increased investment in related promotions in 2013.

Administrative Expenses

For the twelve months ended 31 December 2013, the Group's administrative expenses were RMB83.0 million, representing an increase of 97.8% as compared with RMB42.0 million for the twelve months ended 31 December 2012. The increase was mainly due to the rise of employees' compensation expenses, rental expenses and depreciation expenses, resulting from business expansion, and due to the significant growth of professional fee incurred related to the fund raising in our initial public offering in 2013.

Other Income and Loss

Other income primarily comprises income from property leases, government subsidies. For the twelve months ended 31 December 2013, other income of the Group was RMB294,000, representing a significant decline of 73.8% as compared with RMB1.12 million for the twelve months ended 31 December 2012. The decrease was mainly because no government subsidies were received by the Company in 2013, while the Company was granted approximately RMB1 million of government subsidies in 2012.

Other loss primarily comprises loss we incurred from changes in the fair value of financial assets and the disposal of fixed assets. In 2013 and 2012, the Group's other loss was RMB1.5 million and RMB14.3 million, respectively, which was primarily the loss due to changes in the fair value of financial assets. The Company did not have similar financial assets since May 2013.

Operating Profit and Operating Margin

As a result of the foregoing, operating profit increased by 72.2% from RMB301.8 million for the twelve months ended 31 December 2012 to RMB519.5 million for the twelve months ended 31 December 2013. Our operating margin increased from 13.0% in 2012 to 15.6% in 2013.

Finance (Cost)/Income – net

Net finance income decreased by 139.1% from RMB3.0 million for the twelve months ended 31 December 2012 to RMB(1.2) million for the twelve months ended 31 December 2013. The decrease was primarily due to an increase in exchange loss resulting from the fluctuations in exchange rate.

Share of Profit of Joint Ventures

The Group's share of profit of joint ventures increased by 34.6% from RMB1.1 million in 2012 to RMB1.5 million in 2013. The increase was primarily because we strengthened our training efforts towards our joint venture partners with respect to management and marketing.

Income Tax Expense

Income tax expense increased by 71.7% from RMB78.5 million for the twelve months ended 31 December 2012 to RMB134.8 million for the twelve months ended 31 December 2013, primarily due to the increase in our profit before income tax. Our effective income tax rate remained stable, which was 25.9% in 2013 and 25.7% in 2012.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit increased by 69.4% from RMB227.4 million for the twelve months ended 31 December 2012 to RMB385.1 million for the twelve months ended 31 December 2013. Our profit margin increased from 9.8% in 2012 to 11.6% in 2013.

Profit attributable to Equity Holders of the Company

During the Reporting Period, profit attributable to equity holders of the Company was RMB355.1 million, representing an increase of 66.1% or RMB141.3 million as compared with RMB213.8 million for the twelve months ended 31 December 2012.

Profit attributable to Non-controlling Interests

During the Reporting Period, profit attributable to non-controlling interests was RMB30.0 million, representing an increase of approximately RMB16.4 million as compared with RMB13.6 million for the twelve months ended 31 December 2012.

This increase was mainly attributable to the increase of profit attributable to the non-controlling interests in Shenyang Wei Kang Drug Store Co., Ltd.

Liquidity and Capital Resources

Working Capital

As at 31 December 2013, cash and cash equivalents of the Group amounted to RMB1,564.2 million, of which RMB868.1 million was the net proceeds from our initial public offering in the Stock Exchange on 12 December 2013 (as at 31 December 2013, RMB865.3 million has not been used), and other funds mainly comprised the income generated from our operating activities during the period and accumulated cash and bank balance at the beginning of the period.

Cash Flow

Cash inflows of the Group were principally generated from proceeds from sales of products of pharmaceutical retail and distribution business segments. During the Reporting Period, the Company was successfully listed on 12 December 2013 and raised funds of RMB868.1 million. The Company's primary cash expenditures were used to finance our working capital requirements, acquisitions, opening of retail outlets and other capital expenditures, as well as to fund the business growth and expansion. The following table sets out the Group's cash flows from operating activities, investing activities and financing activities for the years ended 31 December 2012 and 2013:

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
Net cash from operating activities	**386.9**	161.6
Net cash used in investing activities	**(52.6)**	(323.4)
Net cash generated from/(used in) financing activities	**774.9**	(95.5)
Cash at the beginning of the year	**455.9**	713.3
Exchange losses on Cash	**(0.9)**	(0.1)
Cash at the end of the year	**1,564.2**	455.9

Net cash generated from operating activities

For the twelve months ended 31 December 2013, our net cash generated from operating activities was RMB386.9 million, which comprised cash generated from operations of RMB506.9 million, offset by bank charges paid and income tax of RMB120.0 million. Net cash generated from operating activities increased by RMB225.3 million or 139.4% as compared with the net cash of RMB161.6 million generated from operation activities for the twelve months ended 31 December 2012, mainly due to the surge in net profit for the year and the measures taken by the Company to increase the cash generated from operating activities, such as improving inventory turnover, reducing inventory, minimizing the use of funds and strengthening the recovery of accounts receivables.

Net cash used in investing activities

During the Reporting Period, the Group's net cash used in investing activities was RMB52.6 million, representing a decrease of RMB270.8 million as compared with RMB323.4 million for the twelve months ended 31 December 2012, mainly due to the decrease of our investment in financial assets at fair value and the reduction of expenses for business acquisition in 2013.

Net cash generated from/used in financing activities

During the Reporting Period, the Group's net cash generated from financing activities was RMB774.9 million, representing an increase of RMB870.5 million as compared with RMB(95.5) million for the twelve months ended 31 December 2012. The increase mainly comprised net cash from public offering of shares, amounting to RMB868.1 million.

Capital Expenditure

The Group's capital expenditure was mainly used to acquire businesses, open pharmacies, build and upgrade logistics center and improve IT level so as to expand the channels of retail and distribution businesses. At as 31 December 2012 and during the Reporting Period, the Group's net capital expenditures were RMB192.4 million and RMB164.8 million, respectively.

The Group's capital expenditure plan will be formulated based on the progress of business development and other factors such as market and macroeconomic conditions.

Indebtedness

At as 31 December 2013, the Group did not have any outstanding bank loans or overdrafts. The balance of the shareholder's loan was fully settled in November 2013 through conversion into equity.

Gearing Ratio

At as 31 December 2013 and 2012, the Group's gearing ratios were N/A and 21.3%, respectively, which was mainly because the Group did not have any outstanding bank loans or overdrafts during the Reporting Period, and the balance of the shareholder's loan was fully settled in November 2013 through conversion into equity. Gearing ratio is calculated by dividing net debt by sum of total equity and net debt.

Foreign Exchange Risk Management

We mainly operate in the PRC, with most of our transactions denominated and settled in Renminbi. Our currency risk arises from certain bank deposits, financial assets at fair value through profit and loss and amounts due on a loan received from shareholders that are denominated in US dollars and Hong Kong dollars. As at 31 December 2013, we had RMB1,564.2 million in cash and bank balances, of which the equivalent of RMB370.6 million was denominated in Hong Kong dollars. The Company plans to convert Hong Kong dollars into equivalent Renminbi in due course so as to reduce the impact of fluctuations in exchange rate.

Major Acquisitions and Disposals

Business acquisitions have been an important driver for the growth of our revenue and profit. We began our expansion through business acquisitions in 2011 and acquired 574 pharmacies and three pharmaceutical distribution companies from 2011 to 2013. Our major acquisitions included Suihua New Century Drug Store Co., Ltd and Hebei Jitian Yanxiao Pharmaceutical Co. Ltd in 2011, and Shenyang Wei Kang Drug Store Co., Ltd and Harbin Jitian Aixin Chain Co., Ltd in 2012.

With our strong integration capability and under successful replication model, both revenue and gross margin of the acquired companies increased significantly. For example, retail companies acquired in 2011 recorded a 62.8% increase in revenue during the Reporting Period as compared with 2012, with gross margin increasing from 35.4% in 2012 to 40.1% in 2013. Distribution businesses acquired in 2011 recorded a 44.9% increase in revenue during the Reporting Period as compared with 2012, with gross margin increasing from 9.9% in 2012 to 17.4% in 2013.

As a key aspect of our overall growth strategy, we will continue to seek suitable targets for acquisitions mainly in North China with an aim to further expand our business coverage and increase our revenue and profit.

On 24 January 2014, we entered into an agreement with a pharmaceutical retail company, an independent third party which locates in North China and has 5 retail pharmacies. The transaction has been completed. On 22 February 2014, we entered into an agreement with a pharmaceutical retail company, an independent third party which locates in North China and has 30 retail pharmacies. We intend to complete the transaction by the end of March.

Overview of Investments Held

As at 31 December 2013 and 31 December 2012, financial assets measured at changes in fair value held by the Group amounted to nil and RMB97.0 million, respectively.

Pledge of Assets

As at 31 December 2013, the Group did not pledge any assets.

Going Concern

Based on current financial forecast and in view of facilities available, the Group has sufficient financial resources to continue its operation in the foreseeable future. Therefore, the financial statements have been prepared on the going concern basis.

Contingent Liabilities

As at 31 December 2013, the Group did not have any significant contingent liabilities.

Human Resources

For the twelve months ended 31 December 2013, the Company had 5,561 full-time employees. We have implemented a number of initiatives to enhance the productivity of our employees. In particular, we conduct periodic performance reviews of most of our employees, and their compensation is tied to their performance. Further, our compensation structure is designed to incentivise our employees to perform well by linking a portion of their compensation to their performance and the overall performance of the Group. The performance-based portion depends on the employee's job function and seniority.

Future Plan

Looking forward, the Group will continue to focus on our business expansion in North China and explore expansion opportunities in the Greater China Region. We will further expand our geographical coverage and improve revenue and profitability through business acquisitions. By further deepening the brand of "Jintian Aixin (金天愛心)" and expanding the depth and breadth of brands, we will establish the Company's reputation and product awareness. Through continuous diversification of value-added services provided to our members, the Company will expand its member base and keep enhancing the service level. According to market trends and customer preferences, we will also adjust and diversify our retail and distribution product mix and introduce suitable new brands and products under our Direct-supply Model. The launch of online pharmacy and layout of offline pharmacies will be accelerated. The Company will strategically adjust the structure of overseas businesses and make the best of overseas platform to introduce appropriate pharmaceutical products, healthcare products and medical devices demanded by domestic market.

We believe that, as a leading pharmaceutical retailer and distributor in Northeast China, we are well positioned to benefit from the growth potential in the PRC in general and from the on-going market consolidation in the PRC pharmaceutical and healthcare industry. The Company has the ability to continue to lead a deeper and broader integration of pharmaceutical value chain in the PRC.

LISTING AND USE OF PROCEEDS FROM SHARE OFFER

Upon listing on the Stock Exchange on 12 December 2013, the Company issued 400,000,000 new shares at the offer price of HK$2.91 per share, with the net proceeds amounting to approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million) after deducting the broker commissions and the other fees and expenses payable by the Company for the listing. As of 31 December 2013, the net proceeds from the initial public offering (the "IPO") were used for purposes which were consistent with those set out in the section headed "Future Plan and Use of Proceeds" in the prospectus of the Company dated 12 December 2013. As of 31 December 2013, the net proceeds were used for the following purposes:

	Net proceeds from the IPO RMB million		
Use of proceeds	**Proceeds available for use**	**Proceeds used**	**Proceeds unused**
For acquisitive expansion	347.2	–	347.2
For organic growth	260.4	–	260.4
For brand promotion	173.6	–	173.6
For working capital	86.9	2.8	84.1
Total	868.1	2.8	865.3

As at 31 December 2013, the unused net proceeds were placed with banks in Hong Kong as short-term deposits or term deposits.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 10 June 2014 to Thursday 12 June 2014, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on 12 June 2014. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Monday, 9 June 2014.

Dividend

The Board did not propose to distribute the final dividend for the twelve months ended 31 December 2013 (2012: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange since the Company's shares were listed on the Main Board of the Stock Exchange on 12 December 2013 (the "Listing Date") up to the year ended 31 December 2013. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The Audit Committee of the Company is comprised of three directors, namely Mr. Chen Xiao (chairman), Mr. Cheng Sheung Hing and Ms. Chiang Su Hui Susie. The main duties of the Audit Committee is to examine, review and monitor the financial data and financial reporting procedure of the Company. The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the ''Model Code'') as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code from the Listing Date to 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date to 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS AND 2013 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2013 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Jintian Pharmaceutical Group Limited
Jin Dongtao
Chairman

Hong Kong, 20 March 2014

As at the date of this announcement, the Board of the Company comprises five executive directors, namely, Mr. Jin Dongtao, Mr. Jin Dongkun, Ms. Chen Xiaoyan, Mr. Chu Chuanfu and Ms. Wu Qiong and three independent non-executive directors, namely, Mr. Cheng Sheung Hing, Ms. Chiang Su Hui Susie and Mr. Chen Xiao.