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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 2014

ANNUAL RESULTS HIGHLIGHTS

	2014	2013	Change
	RMB million	*RMB million*	*(%)*
Revenue	**4,355.8**	3,323.5	+31.1
Gross profit	**1,267.5**	936.4	+35.4
Operating profit	**676.3**	519.5	+30.2
Profit attributable to owners of the Company	**472.7**	355.1	+33.1
Basic earnings per share – RMB cents	**23.77**	21.91	+8.5
Proposed final dividend per share – HK cents	**3.2**	–	N/A
Gross margin (%)	**29.1**	28.2	+0.9 pp
Operating margin (%)	**15.5**	15.6	-0.1 pp
Net margin (%)	**11.6**	11.6	–

The board of directors (the "Board") of Jintian Pharmaceutical Group Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014 (the "Reporting Period") together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**4,355,842**	3,323,499
Cost of sales	*3*	**(3,088,382)**	(2,387,081)
Gross profit		**1,267,460**	936,418
Selling and marketing expenses	*3*	**(502,472)**	(332,678)
Administrative expenses	*3*	**(89,660)**	(83,040)
Other income		**455**	294
Other gains/(losses) – net		**550**	(1,511)
Operating profit		**676,333**	519,483
Finance income	*4*	**16,146**	2,359
Finance costs	*4*	**(11,599)**	(3,526)
Finance income/(cost) – net	*4*	**4,547**	(1,167)
Share of profit of joint ventures		**1,205**	1,530
Profit before income tax		**682,085**	519,846
Income tax expense	*5*	**(178,744)**	(134,786)
Profit and total comprehensive income for the year		**503,341**	385,060
Profit and total comprehensive income attributable to:			
– Owners of the Company		**472,724**	355,103
– Non-controlling interests		**30,617**	29,957
		503,341	385,060
Earnings per share attributable to owners of the Company for the year (RMB cents)			
– Basic and diluted	*6*	**23.77**	21.91
Dividends	*7*	**94,502**	85,764

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**120,870**	75,904
Land use rights		**3,807**	–
Intangible assets		**799,509**	443,734
Investments in joint ventures		**6,454**	5,249
Prepayment for intangible assets		**2,103**	2,103
Deferred income tax assets		**11,953**	10,797
Total non-current assets		**944,696**	537,787
Current assets			
Trade and other receivables	*8*	**374,155**	361,805
Inventories		**362,940**	271,748
Restricted cash		**382,843**	8,643
Cash and cash equivalents		**1,349,231**	1,564,248
Total current assets		**2,469,169**	2,206,444
Total assets		**3,413,865**	2,744,231
EQUITY			
Equity attributable to owners of the Company			
Share capital		**12,259**	12,259
Reserves		**1,355,464**	1,559,795
– Proposed final dividend		**50,333**	–
– Others		**1,305,131**	1,559,795
Retained earnings		**1,230,436**	782,838
		2,598,159	2,354,892
Non-controlling interests		**27,009**	100,884
Total equity		**2,625,168**	2,455,776

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**50,698**	23,011
Current liabilities			
Borrowings		**295,500**	–
Trade and other payables	*9*	**380,936**	216,881
Current income tax liabilities		**61,563**	48,563
Total current liabilities		**737,999**	265,444
Total liabilities		**788,697**	288,455
Total equity and liabilities		**3,413,865**	2,744,231
Net current assets		**1,731,170**	1,941,000
Total assets less current liabilities		**2,675,866**	2,478,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendment to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendment to IAS 39	Novation of Derivatives and Contribution of Hedge Accounting
IFRIC Int 21	Levies
Annual Improvements Project	Annual improvements 2010-2012 cycle

(b) New and amended standards not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. The Group will apply the new and amended standards when they become effective. The Group is in the process of making an assessment of the impact of the new and amended standards and do not expect that the adoption of these new and amended standards will result in any material impact on the consolidated financial statements of the Group.

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendment to IAS 1	Presentation of Financial Statement[5]
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operation[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendment to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendment to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Annual Improvements Project	Annual Improvements 2010-2012 cycle[4]
Annual Improvements Project	Annual Improvements 2011-2013 cycle[4]
Annual Improvements Project	Annual Improvements 2012-2014 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for the first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

There are no other new and amended standards that are not yet effective that would be expected to have a material impact on the Group.

2. 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 northeastern region of the People's Republic of China (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 northeastern region of the PRC. The Group has a large number of customers, which are widely dispersed within the northeastern region of the PRC, no single customer accounted for more than 10% of the Group's total revenues for the years ended 31 December 2014 and 2013. 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 adjusted earnings before interests, tax, depreciation and amortisation ("Adjusted EBITDA"). The measurement basis of Adjusted EBITDA excludes the effect of share of profit of joint ventures.

The segment information for the year ended 31 December 2014 and as at 31 December 2014 is as follows:

	Year ended 31 December 2014			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue	**3,170,056**	**2,008,001**	**–**	**5,178,057**
Inter-segment revenue	**(822,215)**	**–**	**–**	**(822,215)**
Revenue from external customers	**2,347,841**	**2,008,001**	**–**	**4,355,842**
Adjusted EBITDA	**270,527**	**467,482**	**(25,137)**	**712,872**
Depreciation and amortisation	**(8,604)**	**(27,865)**	**(70)**	**(36,539)**
Finance income	**3,563**	**2,545**	**10,038**	**16,146**
Finance costs	**(2,336)**	**(4,132)**	**(5,131)**	**(11,599)**
Share of profit of joint ventures	**–**	**1,205**	**–**	**1,205**
Income tax expense	**(69,184)**	**(109,560)**	**–**	**(178,744)**
Profit and total comprehensive income for the year	**193,966**	**329,675**	**(20,300)**	**503,341**
Additions of non-current assets	**146,764**	**295,877**	**405**	**443,046**

	As at 31 December 2014			
	Distributions	**Retails**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Total assets before eliminations	**2,085,108**	**1,690,616**	**1,287,491**	**5,063,215**
Inter-segment assets	**(618,916)**	**(163,202)**	**(867,232)**	**(1,649,350)**
Total assets	**1,466,192**	**1,527,414**	**420,259**	**3,413,865**
Total liabilities before eliminations	**872,562**	**572,487**	**16,946**	**1,461,995**
Inter-segment liabilities	**(467,519)**	**(193,259)**	**(12,520)**	**(673,298)**
Total liabilities	**405,043**	**379,228**	**4,426**	**788,697**

The segment information 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
Adjusted 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)
Share of profit of joint ventures	–	1,530	–	1,530
Income tax expense	(51,253)	(83,780)	247	(134,786)
Profit and total comprehensive income for the year	149,391	256,757	(21,088)	385,060
Additions of non-current assets	869	146,675	–	147,544

	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
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 amounts provided to the Board 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.

3. EXPENSES BY NATURE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Changes in inventories	**3,063,079**	2,370,195
Employee benefit expenses	**229,944**	168,502
Advertising and other marketing expenses	**107,761**	48,156
Rental expenses	**84,865**	67,653
Transportation and related charges	**79,503**	56,607
Other tax expenses	**29,762**	21,025
Depreciation of property, plant and equipment	**23,874**	19,480
Amortisation of intangible assets	**12,602**	7,987
Office and communication expenses	**11,286**	9,769
Professional fees	**8,339**	1,962
License fee of trademarks	**6,490**	3,250
Professional fee incurred for initial public offering	**5,435**	18,281
Auditors' remuneration	**4,800**	3,000
Travelling and meeting expenses	**3,495**	1,377
Electricity and other utility fees	**3,454**	2,968
Provision for impairment of other receivable	**1,774**	–
Provision for impairment of goodwill	**304**	–
Amortisation of land use rights	**63**	–
Other expenses	**3,684**	2,587
	3,680,514	2,802,799

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Finance income		
Interest income on bank deposits	**16,146**	2,359
Finance costs		
Exchange losses	**(5,607)**	(3,258)
Interest expense on loans	**(5,527)**	–
Other charges	**(465)**	(268)
	(11,599)	(3,526)
Finance income/(cost) – net	**4,547**	(1,167)

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Current income tax – PRC corporate income tax	**183,175**	138,144
Deferred income tax credit	**(4,431)**	(3,358)
Total income tax expense	**178,744**	134,786

The difference between the actual taxation charge in the consolidated statement 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	
	2014	2013
	RMB'000	*RMB'000*
Profit before income tax	**682,085**	519,846
Tax calculated at a PRC statutory tax rate of 25%	**170,521**	129,962
Tax effects of		
– Expenses not deductible for tax purpose	**1,962**	1,436
– Income not subject to tax	**(1,001)**	(1,092)
– Tax losses for which no deferred income tax asset was recognised	**2,281**	1,394
– Effect of different applicable tax rates for certain subsidiaries	**5,282**	3,469
– Results of joint ventures reported net of tax	**(301)**	(383)
Income tax expense	**178,744**	134,786

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 2014. The subsidiaries of the Group in the 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.

6. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchase under the share award plan.

	Year ended 31 December	
	2014	2013
Profit attributable to owners of the Company *(RMB'000)*	**472,724**	355,103
Weighted average number of ordinary shares in issue *(thousands)*	**1,988,903**	1,620,822
Basic earnings per share *(RMB cents)*	**23.77**	21.91

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As there were no dilutive potential ordinary shares outstanding for the years ended 31 December 2014 and 2013, the diluted earnings per share for the years is equal to basic earnings per share.

7. DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Interim dividend paid	**44,169**	–
Proposed final dividend	**50,333**	–
Dividends paid	**–**	85,764
	94,502	85,764

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables *(Note)*	**266,459**	194,363
– Due from related parties	**471**	527
– Due from third parties	**265,988**	193,836
Prepayments	**90,362**	93,340
– Prepayments of rental expense	**44,854**	31,831
– Prepayments of goods due from related parties	**4,559**	38,553
– Prepayments of the fees for the use of trademarks from related parties	**1,533**	3,240
– Prepayments of goods and services due from third parties	**22,907**	14,151
– Prepayments of the fees for the use of trademarks from third parties	**1,707**	–
– Value added tax input credits	**14,802**	5,565
Other receivables	**19,108**	74,102
– Deposits	**11,122**	6,862
– Advance to employees	**425**	2,172
– IPO proceeds hold by the sponsor	**–**	61,301
– Others	**7,561**	3,767
Less: Provision for impairment	**(1,774)**	–
Total	**374,155**	361,805

The carrying amounts of receivables approximate their fair values.

Note: Retail sales at the Group's pharmacies are usually made in cash or debt or credit cards. For distribution sales, 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 to 90 days. The ageing analysis based on recognition date of the trade receivables is as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**247,037**	183,627
4 to 6 months	**12,355**	2,795
7 to 12 months	**7,067**	7,941
	266,459	194,363

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Trade payables *(a)*	**188,016**	85,119
– Due to a related party	**68**	–
– Due to third parties	**187,948**	85,119
Notes payable *(b)*	**82,843**	8,643
Other payables	**110,077**	123,119
Total	**380,936**	216,881

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

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Up to 3 months	**182,031**	82,796
4 to 6 months	**5,378**	2,069
7 to 12 months	**477**	68
1 year to 2 years	**130**	166
2 years to 3 years	**–**	20
	188,016	85,119

(b) As at 31 December 2014 and 2013, the entire balance of notes payable was secured by restricted cash of RMB82,843,000 and RMB8,643,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

2014 was the first year of deepening reform in China, in which the PRC economy stabilized with positive growth momentum and improvements. The domestic economy maintained a stable condition throughout the year, with continuous optimization and upgrading of the economic structure. The contribution of the tertiary industry to the GDP increased, and consumption demand gradually became the main driver for growth. Urban-rural and regional disparities were narrowing. With the better-than-expected employment rate in the urban areas, growth in household income outpaced economic growth, and benefits of development were reaching more people. According to the National Bureau of Statistics, China's GDP grew by 7.4% on a year-on-year basis to RMB63.65 trillion in 2014, and over 13 million new urban jobs were created. CPI for the year increased by 2% as compared with last year, and the income of urban and rural residents both maintained rapid growth. Benefitting from the increase in household income and the acceleration of urbanization, market demand for healthcare services and drugs steadily increased.

According to the data released by Southern Medicine Economy Research Institute of China Food and Drug Administration (國家食品藥品監督管理總局南方醫藥經濟研究所) for the year of 2014, the total output of the domestic pharmaceutical industry for the year maintained a growth of about 15%-17%. For the first three quarters of 2014, the total output of the pharmaceutical industry amounted to RMB1.77 trillion, representing an increase of 15.6% as compared with the corresponding period of last year. The pharmaceutical industry will maintain growth momentum in the coming year, the prospect for the industry still promising. According to the Ministry of Commerce, the total retail sales of pharmacies in China grew by 9% last year, exceeding the GDP growth of the PRC as a whole. Of which, the total sales value of pharmaceutical products for the first six months amounted to RMB761.3 billion, representing an increase of 14% as compared with the corresponding period of last year. Among which, sales in the retail market amounted to RMB137.1 billion, representing a year-on-year increase of 9%. The overall pharmaceutical market in the PRC maintained stable growth momentum. The introduction of new regulations governing sale of pharmaceutical products will further regulate the pharmaceutical retail market, so as to ensure healthy development of the pharmaceutical industry.

Meanwhile, an increasing number of pharmaceutical enterprises began to enter into the MacroHealth field. The so-called MacroHealth was, based on our basic necessities and natural track of lifecycle, designed to provide all-rounded healthcare services throughout the entire process of a lifetime after taking into consideration of all factors, in a pursuit for physiological/physical health and mental/psychological soundness of individuals as well as well-being of the society, environment, family and community. The MacroHealth industry comprised pharmaceutical and healthcare products, nutrition and healthcare products, medical healthcare apparatuses, leisure healthcare services, health consultation and other production and services closely related to human health. Compared with the traditional pharmaceutical industry, the MacroHealth industry provided not only products, but also healthy lifestyle solutions, creating greater business opportunities.

As to the development of the pharmaceutical e-commerce business, it was reported that sales of the pharmaceutical e-commerce business recorded an average growth of 250% per annum during the years from 2010 to 2013, with the online pharmacies increasing from 35 in 2010 to over 250 today. In view of the rapid development in the pharmaceutical e-commerce business, experts forecasted that online sales of some enterprises might exceed RMB2 billion in 2015. On the other hand, the Measures for the Supervision and Administration of Internet Food and Drug Business Operation, which is expected to be introduced at the beginning of 2015, shall provide a more diversified sale platform for the whole pharmaceutical industry, further promoting the development of the pharmaceutical e-commerce business.

Business Review

Following robust performance in 2013, the Group maintained strong growth momentum in 2014. During the Reporting Period, the Group proactively explored the domestic and overseas markets, expanded its network coverage, speed up development of retail distribution and strengthened liaison with Hong Kong and the international markets, so as to enhance our influence in the industry. Meanwhile, efforts were made to optimize product portfolio and improve the gross profit of our products, so as to make full use of our operation strengths. With the increased popularity of pharmaceutical e-commerce, the Group also seized the opportunities and established a "WeChat marketing" team to explore the frontline market, building up a comprehensive retail business model covering the sea (distribution business of the marketing team), land (retail business of physical outlets) and air (online pharmacies of e-commerce business and WeChat marketing business), with an aim to establishing new competitive edges of MacroHealth. To facilitate the online sale of prescription drugs which is expected to be implemented in the near future, the Group started strategic cooperation with Alibaba Health Information Technology Limited ("Alibaba Health") in the second half of 2014. The Group also took advantage of the operation model of mobile internet pharmaceutical e-commerce to forge a MacroHealth platform combining online and offline services in the future. Overall, the management of the Group achieved all the business targets as set out in our established plans.

Chain Retail Business

The Group continued to expand its retail network through organic growth and acquisitive expansion. During the Reporting Period, the Group acquired 7 chain retailers with a total of 157 retail pharmacies, of which 3 chain retailers (with 42 pharmacies) were acquired in the first half of the year, while the other 4 (with 115 pharmacies) were acquired in the second half of the year. Among those pharmacies, 83 are based in Jilin Province and 74 are located in Liaoning Province. In the second half of the year, the Group completed and announced its acquisition of 36% equity interest in Shenyang Weikang Drug Store Co. Ltd. ("Weikang"), which enhanced our control over the chain pharmacies in Liaoning Province, even in Northeast China. As at 31 December 2014, the Group had 953 self-operated pharmacies in total, of which 688 are located in Heilongjiang, 168 in Liaoning, 93 in Jilin and 4 in prime retail locations of Tsim Sha Tsui, Mong Kok and Yuen Long in Hong Kong. Our self-operated pharmacies in Hong Kong plays an important role as our liaison between the Group and international markets, including approaching internationally well-known pharmaceutical and healthcare product suppliers and introducing suitable high-end products into the PRC market.

Nationwide Distribution Business

Focusing on high margin products (including licensed products and products with exclusive distribution rights), the Group enhanced the established effective Direct-supply Model and improved its nationwide distribution network (mainly including third-party retail pharmacies). During the Reporting Period, the Group had a nationwide distribution network covering approximately 6,500 customers. The Group acquired two distribution companies respectively in Liaoning Province and Hong Kong, which improved our distribution and delivery capacity in these areas. Meanwhile, the Group acquired a land use right and a building in Harbin, Heilongjiang, which was built into a modern logistics center, so as to improve our logistics distribution capacity and lay a solid foundation for obtaining certification under the new Good Supply Practice for Pharmaceutical Products ("GSP") applicable to chain pharmacies in Heilongjiang. The Group now has a total of six logistics centres in Shijiazhuang, Harbin, Jiamusi and other places, which further strengthened our advantages of nationwide distribution network.

E-commerce Business

As the Group believes that pharmaceutical e-commerce is a global trend in the industry, we proactively promoted the development and expanded the scale of the e-commerce business, focusing on establishment of a unique O2O platform. During the Reporting Period, the Group cooperated with Alibaba Health to launch online prescription drug business in Northeast China. Meanwhile, to keep abreast with the e-commerce market, the Group established WeChat marketing department to gain first-mover advantage in the "WeChat marketing" field. The Group has also obtained the licences required for the e-commerce business and the value-added telecom service operation licence from the relevant provincial administrators of communications, and has set up online pharmacies in Tmall.com and JD.com. We are of the opinion that as the government gradually opens up the relevant policies and the development of e-commerce becomes more and more mature, the e-commerce business will not only contribute to our revenue, but also enhance our market position and brand recognition.

Direct-Supply Sales Model

The Group's Direct-supply Model has streamlined our supply chain by effectively eliminating and reducing the excessive bureaucracy and duplication across the traditional sales process, thus enhancing sales efficiency and profitability as well as allowing the Group to achieve a profit margin which is higher than the industry average. During the Reporting Period, our management enhanced direct supply of branded products. As at 31 December 2014, revenue and gross profit generated through our Direct-supply Model accounted for 40.1% and 59.9% of total revenue and gross profit, respectively.

Branded Products Business

The Group intends to enhance the promotion of branded products for higher profitability. During the Reporting Period, the business divisions directly under our brand operation and management center have increased from 3 to 15, so as to further explore different market segments.

With regard to promotion, the Group enhanced awareness and influence of the Company and our high-gross-margin branded products (such as "Yushi" (御室)) through a series of title sponsorship activities (including trains connecting Beijing and Harbin, the fighting show named "Kunlun Fight" and the selection contest organized by China's major WeChat community "K Friends", etc.) as well as cooperation with "Tonglukuaijian" – the largest domestic e-commerce channel operator. In terms of sales promotion, the Group organized more distribution events. During the Reporting Period, 272 customer-specific direct-supply distribution activities were organized, resulting in an increase in sales of branded products totalling RMB215.9 million. The Group is confident that effective advertisement and sales promotion may rapidly improve its brand recognition, making our branded products more popular among the distributors and end consumers, and in turn boosting our sales consistently.

As to product planning, constant efforts were made to develop "Yushi" (御室) and other MacroHealth products based on the sales demand from physical pharmacies, online pharmacies and mobile terminal, so as to enrich our product lines. The Group launched 41 new branded products in the first half of the year and nearly 50 in the second half, laying a solid foundation for the Group to maintain high gross margin. As of 31 December 2014, the Company's retail and distribution product mix consisted of over 18,000 products, including 360 high margin products under the four licensed brands of Yushi (御室), Kangyisheng (康醫生), Shequyisheng (社區醫生) and Taoqimao (淘氣貓) and 2,392 products with exclusive distribution rights. Revenue and gross profit of high margin products accounted for 27.1% and 42.8% of total revenue and gross profit of the distribution business, respectively.

Acquisition Completed Under Structured Contracts

The Group announced on 25 August 2014 that, according to the undertakings under the Structured Contracts as disclosed in the paragraph headed "Contractual Arrangements" under the section headed "History and Reorganisation" in the prospectus of the Company dated 2 December 2013, the Group completed the transaction in relation to the acquisition of 4.99% equity interest in Heilongjiang Province Jintian Aixin Medicine Distribution Co., Ltd. ("Jintian Aixin Co.") on 29 August 2014. The acquisition represented the return of the legal ownership of the 4.99% equity interest in Jintian Aixin Co. which was held by Jiamusi Jintian Century Trade Company Limited ("Jintian Century") on behalf of Hong Kong Health Century International Group Limited ("Hong Kong Health Century"). Therefore, upon completion of the transaction, the Group legally and beneficially holds 100% equity interest of Jintian Aixin Co.. For details of the acquisition, please refer to the Company's announcement dated 25 August 2014.

International Trade

To cater to the international development of our business, during the Reporting Period, the Group recruited talents to set up the international trade department, which will seek to introduce more products with higher margins through its sales network, so as to create greater profits. In light of the implementation of the policy of "selling infant formula milk powder products in drug stores" by the PRC government, the Group took initiative to reach an exclusive general distributorship agreement for the Greater China region with McJayden (a renowned U.S. organic milk-based formula powder manufacturer) in June 2014. The Group also became the distributor of Betterway (an Australian branded formula milk powder supplier) in China by the end of 2014. Our quick reaction to the state policy has elicited a vigorous response within the industry and serves as a new profit driver for the Group.

Institute Training

To make better use of the Jintian Institute and to provide customers with superior value-added services, the Group carried out functional department restructuring, whereby Jintian Institute was under management of the brand operation and management center. The Group also stepped up efforts in serving customers with direct supply of branded products and provided a wide variety of value-added services in the form of open class, so as to strengthen our cooperation relationships with our customers.

During the Reporting Period, the dedicated branding programme of "Golden Rules of Marketing" designed by the Group held a total of 248 training sessions for our brand customers, covering cities such as Chongqing, Xi'an, Guilin, Zibo, Qingdao, Zaozhuang, Dalian, Wuhan, Shijiazhuang, Lanzhou, Harbin, Liuzhou, Suzhou, Jingzhou, Chengdu, Yuncheng, Shangdu, Anshan, Beijing, Jinhua, Baotou, Chifeng, Hengyang, Wenzhou and Yanji, which were highly appreciated by the customers. The Group believed that such training sessions effectively drove the sales of branded products.

Caring Activities

"Caring China" has become a unique social responsibility brand of the Group within the MacroHealth industry, which helped to constantly improve our social image. During the Reporting Period, the Group organized 160 major caring activities across a number of provinces and regions of China. Out of these activities, the national promotion activity "Caring + Health" produced the most profound impacts, building up a loyal member base for our branded products. As of 31 December 2014, the Company had a total of over 1,040,000 members, and sales from members accounted for approximately 41.2% of the total retail sales.

At the same time, some members from www.chinamsr.com (中國醫藥聯盟) also participated in the "Caring China" activities, further enhancing our influence in the industry.

During the Reporting Period, the Group was awarded the "Best Charity Communication Award" and the Chairman Mr. Jin Dongtao was awarded the "China's Charitable Figure Award" by the "Charity Award Ceremony" during the China Charity Festival. As our devotion to charity activities won recognition in the international community, the Group was nominated for the "Corporate Social Responsibility Award" in the 13th Asia Business Leaders Awards held by Consumer News and Business Channel ("CNBC") in Singapore.

Industrial Achievements

Alongside with improvement in operating results and in performing our social responsibility, the Group was also highly recognized by the industry. At the annual awards organized by the China Medical Pharmaceutical Material Association, the Chairman, Mr. Jin Dongtao, was awarded the highest honour of the "Most Influential Figure in 2014", and the Chief Executive Officer Mr. Chu Chuanfu was honoured as the "Outstanding Manager in 2014".

Financial Review

For the year, the Group recorded revenue of RMB4,355.8 million, representing an increase of 31.1% as compared with RMB3,323.5 million last year. Profit attributable to owners of the Company was RMB472.7 million, representing an increase of 33.1% as compared with RMB355.1 million last year. Earnings per share for the year was RMB23.77 cents (2013: RMB21.91 cents). The increase in profit attributable to owners of the Company was mainly due to the increase in profit of both of the Group's retail and distribution businesses.

Revenue

For the year, the Group recorded revenue of RMB4,355.8 million, representing an increase of RMB1,032.3 million or 31.1% as compared with RMB3,323.5 million last year. The increase was mainly attributable to the substantial growth in both retail and distribution businesses.

Analysis of revenue by business segment

	Revenue (RMB million)			**% of total revenue**		
	2014	2013	Change *(%)*	**2014**	2013	Change *(%)*
Retails	**2,008.0**	1,549.8	+29.6	**46.1**	46.6	-0.5
Distributions	**2,347.8**	1,773.7	+32.4	**53.9**	53.4	+0.5
	4,355.8	3,323.5		**100.0**	100.0	

Retail Business Segment

The increase in the retail business was mainly due to the growth of the existing pharmacies and the increase in the number of retail pharmacies during the year. During the year, the Group continued its 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. Besides, the Group acquired 157 retail pharmacies through 7 acquisitions and opened 2 new retail pharmacies during the year. As at 31 December 2014, the Group had 953 (2013: 794) retail pharmacies in total, of which 688 (2013: 688) located in Heilongjiang, 168 (2013: 93) in Liaoning, 93 (2013: 10) in Jilin and 4 (2013: 3) self-operated retail pharmacies in Hong Kong. In addition, the Group had 16 (2013: 15) supermarkets in Shenyang as at 31 December 2014, mainly selling healthcare products and consumer goods.

Distribution Business Segment

The increase in the distribution business was due to the increase in the number of customers and more sales generated from existing customers. During the year, the Group continued its organic growth of distribution business through providing more specific value-added service to key customers and intensifying efforts to explore new quality customers. Besides, the distribution companies acquired in prior years continued to report substantial growth during the year. To expand the distribution network, the Group acquired 2 distribution companies in Shenyang and Hong Kong during the year.

As at 31 December 2014, the Group had a nationwide distribution network covering approximately 6,500 customers, including approximately 4,300 pharmaceutical retailers, hospitals and clinics and approximately 2,200 distributors.

Gross profit

Gross profit of the Group for the year was approximately RMB1,267.5 million, representing an increase of RMB331.1 million or 35.4% as compared with RMB936.4 million last year. Overall gross profit margin increased from 28.2% to 29.1%.

Analysis of gross profit by business segment

	Gross profit (RMB million)			**Gross profit margin (%)**		
	2014	2013	Changes *(%)*	**2014**	2013	Changes *(%)*
Retails	**796.8**	605.2	+31.7	**39.7**	39.1	+0.6
Distributions	**470.7**	331.2	+42.1	**20.0**	18.7	+1.3
	1,267.5	936.4				

The increase in overall gross profit margin was mainly due to enhancement of product mix with more high-margin products. The Group's high-margin products consists of licensed products and products with exclusive distribution rights. During the year, revenue of the Group's high-margin products increased by 22.3% over last year and the gross profit margin of these high-margin products increased from 44.6% to 45.9%. As at 31 December 2014, the Group had 360 (2013: 371) types of licensed products and 2,392 (2013: 950) types of products with exclusive distribution rights.

Selling and marketing expenses

Selling and marketing expenses for the year was RMB502.5 million, representing an increase of RMB169.8 million or 51.0% over last year and accounted for 11.5% (2013: 10.0%) of the Group's revenue. The increase was mainly due to the increase in marketing staff costs and advertising expenses as a result of continuous expansion.

Administrative expenses

Administrative expenses for the year was RMB89.7 million, representing an increase of RMB6.6 million or 8.0% over last year and accounted for 2.1% (2013: 2.5%) of the Group's revenue. The increase was mainly due to (i) the increase in amortisation of intangible assets arising from acquisitions; (ii) the increase in professional fee and director fee after initial public offering ("IPO"), and (iii) the increase in rental expenses after setting up Hong Kong office in 2014.

Finance income/cost – net

Net finance income for the year was RMB4.5 million (2013: Net finance cost of RMB1.2 million). The increase was primarily due to more interest income from the increasing average bank balances during the year.

Income tax expense

Income tax expense for the year was RMB178.7 million, representing an increase of RMB44.0 million or 32.6% over last year. The effective income tax rate for the year was 26.2% (2013: 25.9%).

Liquidity and Capital Resources

The Company's treasury function formulated financial risk management procedures, which are also subject to periodic review by the senior management of the Company.

This treasury function operates as a centralized service for managing financial risks, including interest rate and foreign exchange rate risks, reallocating surplus financial resources within the Group, procuring cost-efficient funding and targeting yield enhancement opportunities. The treasury function regularly and closely monitors its overall cash and debt positions, proactively reviews its funding costs and maturity profiles to facilitate timely refinancing, if appropriate.

As at 31 December 2014, the Group's unpledged cash and cash equivalents totalled approximately RMB1,349.2 million (2013: RMB1,564.2 million), and the Group's net current assets were approximately RMB1,731.2 million (2013: RMB1,941.0 million).

During the year, net cash flows generated from operating activities amounted to approximately RMB592.0 million, as compared to approximately RMB386.9 million last year. The increase was in line with the Group's operating performance.

During the year, the Group had capital expenditure of approximately RMB437.6 million (2013: RMB164.8 million).

Having considered the cash flow from operating activities, existing financial gearing and banking facilities available to the Group, the management believes that the Group's financial resources are sufficient to fund its debt payments, day-to-day operations, capital expenditures and prospective business development projects.

The Group mainly operates in the PRC, with most of its transactions denominated and settled in Renminbi. The Group's currency risk mainly arises from certain bank deposits that are denominated in Hong Kong dollars. As at 31 December 2014, the Group had approximately RMB1,349.2 million in cash and bank balances of which the equivalent of approximately RMB21.4 million was denominated in Hong Kong dollars. During the year, the Company has converted most of the Hong Kong dollars into equivalent Renminbi to reduce the impact of fluctuations in exchange rate.

The Group did not use financial instruments for financial hedging purpose during the year.

Capital Structure

There was no movements in the Company's share capital and share options during the year.

As at 31 December 2014, the Group had certain interest-bearing bank borrowings of approximately RMB295.5 million (2013: Nil). Bank borrowings carried annual interest rates at approximately 2.9% (2013: N/A). All of the bank borrowings are denominated in Renminbi.

The gearing ratio of the Group as at 31 December 2014, calculated as net debt divided by sum of total equity and net debt, was N/A (2013: N/A).

Contingent Liabilities and Pledge of Assets

As at 31 December 2014, the Group has no significant contingent liabilities (2013: Nil).

As at 31 December 2014, the bank borrowings and notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB382.8 million. As at 31 December 2013, the notes payable of the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB8.6 million.

Acquisitions

During the year, the Group supplemented its organic growth strategy with selected acquisitions to expand geographical reach. The Group acquired 157 retail pharmacies and 2 distribution companies through 9 acquisitions during the year, with an aggregate consideration of approximately RMB386.1 million. In addition, the Group acquired a land use right and a building at a consideration of RMB42.9 million during the year for the construction of logistics centre.

Further, on 20 June 2014, the Group entered into a sale and purchase agreement to acquire the remaining 36% equity interest in Weikang, an indirect 64% owned subsidiary of the Company, at a consideration of RMB250.0 million. This transaction was completed on August 2014 and Weikang has become a wholly-owned subsidiary of the Group. Details of this transaction were set out in the Company's circular dated 18 July 2014.

On 25 August 2014, in order to enforce the deed of undertaking dated 23 November 2013, the Group entered into a sale and purchase agreement with Jintian Century, a related company of the Company, to acquire the remaining 4.99% equity interest in Jintian Aixin Co., an indirect 95.01% legally owned subsidiary of the Company, at a consideration of approximately RMB67.5 million (the "Acquisition"). The Acquisition was completed on August 2014 and did not affect the consolidated equity attributable to the owners of the Company, the shareholders of Jintian Century has transferred an amount equal to the consideration for the Acquisition to the Group. Details of the deed of undertaking dated 23 November 2013 were set out in the Company's prospectus dated 2 December 2013 (the "Prospectus") and details of the Acquisition were set out in the Company's announcement dated 25 August 2014.

Human Resources

As at 31 December 2014, the Group had 6,272 (2013: 5,561) full-time employees in Hong Kong and the PRC with total employee benefit expenses amounted to approximately RMB229.9 million (2013: RMB168.5 million). Employees are paid according to their positions, performance, experience and prevailing market practices, and are provided with management and professional training. The Group has implemented a number of initiatives to enhance the productivity of its employees. In particular, the Group conducts periodic performance reviews of most of the employees, and their compensation is tied to their performance. Further, the Group's compensation structure is designed to incentivize its 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. Employees in Hong Kong are provided with retirement benefits under the Mandatory Provident Fund scheme, as well as life insurance and medical insurance. Employees in the PRC are provided with basic social insurance and housing fund in compliance with the requirements of the laws of China. The Company has adopted a share option scheme and a share award plan for the purpose of providing incentives to participants for their contribution to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

Future Plan

The Group will continue to focus on business expansion in Northeast China and explore expansion opportunities in the Greater China Region. Our strategy is to: (1) recruit and cultivate talents in operation and management, and keep abreast with the development and innovation mode of advanced technology; (2) strengthen cooperation with peer companies, expand the direct supply mode and enhance awareness of the brand "Jintian Aixin" and influence of the branded products by carrying out "Caring China" charity activities to enhance brand recognition as well as enhancing team management and conducting advertisement and promotional campaigns to improve sales volume and contribution of the branded products; (3) enhance international trades and step up efforts in introducing good quality products from overseas markets; (4) further improve the operating system of online pharmacies, and explore advanced approach to implement online and offline link by making the best use of new media communication as well as taking advantage of WeChat marketing and other marketing channels; (5) push ahead the implementation of "electronic prescription" business by promoting cooperation with online platforms such as Alibaba, with an aim to increase product sales; (6) enrich our product mix by introducing more healthcare products based on our expertise in pharmaceutical retail and distribution, so as to promote the concept of the MacroHealth industry.

While focusing on its existing business, the Company is confident in continuing enhancing its influence in the industry by leveraging on its team strengths and seizing the opportunities arising from market resource consolidation to create greater value for our shareholders, customers, employees and the society.

USE OF PROCEEDS FROM SHARE OFFER

The shares of the Company were listed on 12 December 2013 (the "Listing Date") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The total net proceeds amounted to approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million). As at 31 December 2014, the net proceeds from the IPO were used for purposes which were consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and for the following purposes:

		RMB million	
Use of proceeds	**Net Proceeds**	**Proceeds used**	**Proceeds unused**
For acquisitive expansion	347.2	(347.2)	–
For organic growth	260.4	(75.1)	185.3
For brand promotion	173.6	(76.3)	97.3
For working capital	86.9	(56.0)	30.9
Total	868.1	(554.6)	313.5

As at 31 December 2014, the unused net proceeds were placed with banks in Hong Kong, Macau and the PRC as short-term deposits or term deposits.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK3.2 cents per share for the year ended 31 December 2014 to Shareholders whose names appear on the register of members of the Company on Monday, 22 June 2015, subject to Shareholders' approval at the forthcoming annual general meeting. The proposed final dividend, if approved, is to be payable on Tuesday, 7 July 2015.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 12 June 2015 to Tuesday, 16 June 2015, 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 16 June 2015. 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 Thursday, 11 June 2015.

The register of members of the Company will also be closed from Monday, 22 June 2015 to Wednesday, 24 June 2015, both days inclusive, in order to determine the entitlement of the shareholders to the final dividend (if approved by the shareholders). 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, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 19 June 2015.

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 throughout the year ended 31 December 2014. 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 (the "Audit Committee") 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 are 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 2014.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2014. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries or holding company or subsidiaries of holding company had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS AND 2014 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 2014 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 (www.hkexnews.hk) and the Company (www.jtyyjt.com) in due course.

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

Hong Kong, 18 March 2015

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