UNIVERSAL HEALTH INTERNATIONAL GROUP HOLDING LIMITED
大健康國際集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2211)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

ANNUAL RESULTS HIGHLIGHTS

	2015	2014	Change
	RMB Million	*RMB Million*	*(%)*
Revenue	**4,805.9**	4,355.8	+10.3
Gross profit	**1,340.6**	1,267.5	+5.8
Operating profit	**97.2**	676.3	-85.6
Profit for the year	**33.9**	503.3	-93.3
Basic earnings per share – RMB cents	**1.57**	23.77	-93.4
Gross margin (%)	**27.9**	29.1	-1.2pp
Operating margin (%)	**2.0**	15.5	-13.5pp
Net margin (%)	**0.7**	11.6	-10.9pp

The board of directors (the "**Board**") of Universal Health International Group Holding 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 2015 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Revenue	*2*	**4,805,855**	4,355,842
Cost of sales	*3*	**(3,465,280)**	(3,088,382)
Gross profit		**1,340,575**	1,267,460
Selling and marketing expenses	*3*	**(986,418)**	(502,472)
Administrative expenses	*3*	**(148,108)**	(89,356)
Goodwill impairment	*3*	**(108,899)**	(304)
Other income		**678**	455
Other (losses)/gains – net		**(643)**	550
Operating profit		**97,185**	676,333
Finance income	*4*	**15,476**	16,146
Finance costs	*4*	**(6,876)**	(11,599)
Finance income – net	*4*	**8,600**	4,547
Share of profit of joint ventures		**1,066**	1,205
Profit before income tax		**106,851**	682,085
Income tax expenses	*5*	**(72,977)**	(178,744)
Profit for the year		**33,874**	503,341
Profit attributable to:			
– Owners of the Company		**31,163**	472,724
– Non-controlling interests		**2,711**	30,617
		33,874	503,341
Earnings per share attributable to owners of the Company for the year *(RMB cents)*			
– Basic and diluted	*6*	**1.57**	23.77
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Currency translation differences		**(5,551)**	–
Total comprehensive income for the year		**28,323**	503,341
Total comprehensive income attributable to:			
– Owners of the Company		**25,612**	472,724
– Non-controlling interests		**2,711**	30,617
		28,323	503,341

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**103,167**	120,870
Land use rights		**3,713**	3,807
Intangible assets		**672,055**	799,509
Investments in joint ventures		**7,520**	6,454
Prepayment for intangible assets		**–**	2,103
Deferred income tax assets		**19,297**	11,953
Total non-current assets		**805,752**	944,696
Current assets			
Trade and other receivables	*8*	**442,853**	374,155
Inventories		**398,605**	362,940
Restricted cash		**227,414**	382,843
Cash and cash equivalents		**1,333,320**	1,349,231
Total current assets		**2,402,192**	2,469,169
Total assets		**3,207,944**	3,413,865
EQUITY			
Equity attributable to owners of the Company			
Share capital		**12,259**	12,259
Reserves		**1,319,669**	1,355,464
Retained earnings		**1,256,722**	1,230,436
		2,588,650	2,598,159
Non-controlling interests		**29,720**	27,009
Total equity		**2,618,370**	2,625,168

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**46,585**	50,698
Current liabilities			
Borrowings		**166,920**	295,500
Trade and other payables	*9*	**373,464**	380,936
Current income tax liabilities		**2,605**	61,563
Total current liabilities		**542,989**	737,999
Total liabilities		**589,574**	788,697
Total equity and liabilities		**3,207,944**	3,413,865

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

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 2015:

Amendment to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements 2010-2012 cycle
Annual Improvements Project	Annual Improvements 2011-2013 cycle

The adoption of the new and amended standards did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

(b) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(c) 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 2015, 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]
IFRS 16	Leases[4]
Amendment to IAS 1	Presentation of Financial Statement[5]
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
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[6]
Annual Improvements Project	Annual Improvements 2012-2014 cycle[5]

1 Effective for annual period 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 2018, with earlier application permitted.

4 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted, if IFRS 15 is also applied.

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

6 Effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be 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 of Directors is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board of Directors 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**"). In prior years, separate individual financial information for distributions, retails and others were presented to the Board of Directors who reviewed the internal reports in order to assess performance and allocate resources. Due to the differences in economic characters, such as customers etc, for distributions, retails and others respectively, the distributions, retails and others were considered to be three segments in accordance with IFRS 8 "Operating Segment". The "others" segment mainly comprises investment companies.

In the second half of year 2015, in order to respond to the change in economic environment in the areas where the Group operates, the Group has adjusted the mid-long strategic plan for its operations and development. In prior period, management operated and monitored the retail business as a single operating segment. Following the change to the new strategy in the second half of 2015, the operation and management of the retail business was divided into two groups according to their economic characteristics under the new strategy that enable the Group to execute their new strategy and do the resource allocation accordingly. As a result, the Group separates the original segment of retails into two separate segments: Retails I – strategic stores ("Retails I") and Retails II – non-strategic stores ("Retails II"). Retails I segment are retail business with higher future development potential and strategic focus by the Group when allocating the resources, while Retails II segment are retail business located in the areas without strategic importance and high growth potential. Individual financial information and management report of the Retails I segment, Retails II segment, distributions and others are presented to the Board of Directors to assess their performance and for making respective business decision. Accordingly, for the year ended 31 December 2015, the composition of reportable segments in accordance with IFRS 8 "Operating Segment" has changed to four segments, the distributions, Retails I, Retails II and others. The Group also re-presented its corresponding information for the year ended 31 December 2014 accordingly.

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 2015 and 2014. 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 amortization ("**Adjusted EBITDA**"). The measurement basis of Adjusted EBITDA excludes the effect of share of profit of joint ventures, share base payment expenses and goodwill impairment.

The segment information for the year ended 31 December 2015 and as at 31 December 2015 is as follows:

	Year ended 31 December 2015				
	Distributions	**Retails I**	**Retails II**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	**3,477,557**	**2,025,678**	**350,787**	**–**	**5,854,022**
Inter-segment revenue	**(1,007,935)**	**(38,960)**	**(1,272)**	**–**	**(1,048,167)**
Revenue from external customers	**2,469,622**	**1,986,718**	**349,515**	**–**	**4,805,855**
Adjusted EBITDA	**53,314**	**241,386**	**19,299**	**(24,440)**	**289,559**
Depreciation and amortisation	**(14,451)**	**(27,996)**	**(1,101)**	**(122)**	**(43,670)**
Finance income	**4,721**	**3,240**	**223**	**7,292**	**15,476**
Finance costs	**(1,975)**	**(4,337)**	**(517)**	**(47)**	**(6,876)**
Share of profit of joint ventures	**–**	**1,066**	**–**	**–**	**1,066**
Share base payment expenses	**–**	**–**	**–**	**(39,805)**	**(39,805)**
Goodwill impairment *(Note 3)*	**–**	**–**	**(108,899)**	**–**	**(108,899)**
Income tax expenses	**(12,762)**	**(55,193)**	**(5,022)**	**–**	**(72,977)**
Profit for the year	**28,847**	**158,166**	**(96,017)**	**(57,122)**	**33,874**
Additions of non-current assets	**3,196**	**5,603**	**–**	**26**	**8,825**

	As at 31 December 2015				
	Distributions	**Retails I**	**Retails II**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	**2,029,389**	**1,901,592**	**170,782**	**1,349,148**	**5,450,911**
Inter-segment assets	**(614,231)**	**(415,816)**	**(21,061)**	**(1,191,859)**	**(2,242,967)**
Total assets	**1,415,158**	**1,485,776**	**149,721**	**157,289**	**3,207,944**
Total liabilities before eliminations	**785,785**	**711,540**	**49,006**	**48,691**	**1,595,022**
Inter-segment liabilities	**(415,605)**	**(507,798)**	**(39,569)**	**(42,476)**	**(1,005,448)**
Total liabilities	**370,180**	**203,742**	**9,437**	**6,215**	**589,574**

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

	Year ended 31 December 2014 *(Note*)*				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	3,170,056	1,692,401	337,500	–	5,199,957
Inter-segment revenue	(822,215)	(21,083)	(817)	–	(844,115)
Revenue from external customers	2,347,841	1,671,318	336,683	–	4,355,842
Adjusted EBITDA	270,527	408,011	59,775	(25,137)	713,176
Depreciation and amortisation	(8,604)	(26,144)	(1,721)	(70)	(36,539)
Finance income	3,563	2,217	328	10,038	16,146
Finance costs	(2,336)	(3,266)	(866)	(5,131)	(11,599)
Share of profit of joint ventures	–	1,205	–	–	1,205
Goodwill impairment *(Note 3)*	–	(304)	–	–	(304)
Income tax expenses	(69,184)	(93,900)	(15,660)	–	(178,744)
Profit for the year	193,966	287,819	41,856	(20,300)	503,341
Additions of non-current assets	146,764	295,470	407	405	443,046

	As at 31 December 2014 *(Note*)*				
	Distributions	Retails I	Retails II	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets before eliminations	2,085,108	1,524,722	255,478	1,287,491	5,152,799
Inter-segment assets	(618,916)	(242,637)	(10,149)	(867,232)	(1,738,934)
Total assets	1,466,192	1,282,085	245,329	420,259	3,413,865
Total liabilities before eliminations	872,562	506,224	68,193	16,946	1,463,925
Inter-segment liabilities	(467,519)	(149,741)	(45,448)	(12,520)	(675,228)
Total liabilities	405,043	356,483	22,745	4,426	788,697

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.

Note:*

The composition of reportable segments for the year ended 31 December 2015 has changed to four segments in accordance with IFRS8 "Operating Segment": the distributions, Retails I, Retails II and others. Accordingly, the Group also re-presented its corresponding information for the year ended 31 December 2014 on a consistent basis.

3. EXPENSES BY NATURE

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Changes in inventories	**3,439,429**	3,063,079
Advertising and other marketing expenses	**502,640**	107,450
Employee benefit expenses	**332,513**	229,944
Provision for impairment of goodwill	**108,899**	304
Rental expenses	**103,444**	84,865
Transportation and related charges	**91,461**	79,503
Other tax expenses	**25,692**	29,762
Depreciation of property, plant and equipment	**23,376**	23,874
Amortisation of intangible assets	**20,200**	12,602
Office and communication expenses	**13,142**	11,286
Professional fees	**9,183**	8,339
License fee of trademarks	**6,500**	6,490
Training fee	**6,330**	187
Electricity and other utility fees	**5,841**	3,454
Auditors' remuneration		
– Audit services	**4,800**	4,800
– Non-audit services	**796**	–
Provision for impairment of inventories	**2,675**	–
Travelling and meeting expenses	**1,713**	3,495
Amortisation of land use rights	**94**	63
Provision for impairment of other receivable	**–**	1,774
Other expenses	**9,977**	9,243
	4,708,705	3,680,514

4. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Finance income		
Exchange gains	**7,096**	–
Interest income on bank deposits	**8,380**	16,146
	15,476	16,146
Finance costs		
Exchange losses	**–**	(5,607)
Interest expense on loans	**(6,144)**	(5,527)
Other charges	**(732)**	(465)
	(6,876)	(11,599)
Finance income – net	**8,600**	4,547

5. INCOME TAX EXPENSES

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current income tax – PRC corporate income tax	**84,434**	183,175
Deferred income tax credit	**(11,457)**	(4,431)
Total income tax expenses	**72,977**	178,744

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	
	2015	2014
	RMB'000	*RMB'000*
Profit before income tax	**106,851**	682,085
Tax calculated at a PRC statutory tax rate of 25%	**26,713**	170,521
Tax effects of:		
– Expenses not deductible for tax purpose *(Note)*	**31,281**	1,962
– Income not subject to tax	**–**	(1,001)
– Tax losses for which no deferred income tax asset was recognised	**5,089**	2,281
– Effect of different applicable tax rates for certain subsidiaries	**10,161**	5,282
– Results of joint ventures reported net of tax	**(267)**	(301)
Income tax expenses	**72,977**	178,744

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 2015. 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.

Note:

Expenses not deductible for tax purpose for the year ended 31 December 2015 are mainly related to goodwill impairment.

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	
	2015	2014
Profit attributable to owners of the Company *(RMB'000)*	**31,163**	472,724
Weighted average number of ordinary shares in issue *(thousands)*	**1,983,193**	1,988,903
Basic earnings per share *(RMB cents)*	**1.57**	23.77

(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 2015 and 2014, the diluted earnings per share for the years is equal to basic earnings per share.

7. DIVIDENDS

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Interim dividend paid	**24,593**	44,169
Proposed final dividend	**–**	50,333
	24,593	94,502

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade receivables *(Note)*		
– Due from third parties	**248,207**	265,988
– Due from related parties	**469**	471
	248,676	266,459
Prepayments		
– Prepayments to third parties	**56,776**	69,468
– Tax input credits	**51,245**	14,802
– Prepayments to related parties	**1,500**	6,092
	109,521	90,362
Other receivables		
– Due from related parties	**67,517**	–
– Deposits	**10,907**	11,122
– Others	**8,006**	7,986
	86,430	19,108
Trade and other receivables	**444,627**	376,929
Less: Provision for impairment	**(1,774)**	(1,774)
Trade and other receivable – net	**442,853**	374,155

The carrying amounts of trade and other receivables approximate their fair values.

Note: Retail sales at the Group's pharmacies are usually made in cash or debit 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	
	2015	2014
	RMB'000	*RMB'000*
Up to 3 months	**229,920**	247,037
4 to 6 months	**5,813**	12,355
7 to 12 months	**12,943**	7,067
	248,676	266,459

9. TRADE AND OTHER PAYABLES

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Trade payables *(a)*		
– Due to third parties	**184,541**	187,948
– Due to a related party	**–**	68
	184,541	188,016
Notes payable *(b)*	**94,662**	82,843
Other payables	**94,261**	110,077
Total	**373,464**	380,936

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Up to 3 months	**183,468**	182,031
4 to 6 months	**1,051**	5,378
7 to 12 months	**1**	477
1 year to 2 years	**21**	130
	184,541	188,016

(b) As at 31 December 2015, the entire balance of notes payable was secured by restricted cash of RMB77,414,000 (2014: RMB82,843,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Looking back to 2015, Chinese economy has entered into a situation of a "New Norm", featured with lowered economic growth, optimized economic structure and transferred growth engine, deepened reform and enlarged space for economic development. Economic growth has transferred from high speed to medium- high speed with distinguishing feature of "New Norm". The "Three Carriages" (export, investment and consumption) which drive the economy are underpowered. The export volume continued to decline and reduce its contribution to GDP ratio. The high inventory in properties has negative impact on investment that slowed down sharply on growth rate. The consumption increased slightly but was limited. Facing to the complex international situation and increasing stress of economic downturn, the government has taken a series of measures, such as implement of interest rate liberalization, promotion of property destocking and reformation of supply, adjustment of tax rate policy. The effectiveness of these measures will gradually appear in the future.

According to the statistic of the National Bureau of Statistics of the PRC, the GDP of 2015 was RMB67,670.8 billion, increased by 6.9% as compared to 2014 calculating at comparable price. In regard of consumption, with the increasing revenue of the mainland Chinese and the improvement of medical healthcare, their purchasing power and intention to buy enhances steadily. However, the growth of consumption remains slow, with the annual consumer price increased by 1.4% as compared with last year, of which health care and personal care increased by 2.0%.

According to National Bureau of Statistics of the PRC, during the Reporting Period in 2015, the revenue from main business of pharmaceutical enterprises above the designated size in the PRC amounted to RMB2,553.7 billion, representing an increase of 9.1% on a year-on-year basis but a decrease of 3.8 percentage points as compared with the corresponding period last year. The total profit from scaled pharmaceutical industry in 2015 amounted to RMB262.7 billion, representing a year-on-year increase of 12.9%, and an increase of 0.8 percentage points as compared to the corresponding period last year. The sales revenue of Chinese and western drugs for the Reporting Period reached RMB789.5 billion, representing an increase of 14.2% on a year-on-year basis but a decrease of 0.8 percentage points as compared with the corresponding period last year. The growth of pharmaceutical industry slowed down slightly.

In spite of the downward pressure in the Chinese economy, there are good news from the medical industry. In 2015, the Amendment to Laws on Population and Family Planning of PRC (Draft) was passed on 27 December 2015, which expressly stipulated that the government advocates a couple with two children, while emphasizing the family planning is still the fundamental national policy and the PRC government would continue to control the population and improve population quality. On 6 January 2016, the State Council issued the order of universal two children policy reform decision, which was well received by the medical healthcare and service industry. It is expected the Company will benefit from the policy in the long run.

On 24 June 2015, at the executive meeting of the State Council, the Guidance on Promoting "Internet +" (《「互聯網+」行動指導意見》) was passed, which marked that the emerging business mode of "Internet +" has become the national strategy. In 2015, the internet achieved fast development and gradually changes the traditional mode of the medical industry. The online health care enterprises were not contended with the operation model of online registration and simple inquiry, and gradually established online hospital and promoted hierarchical diagnose and treatment. The combination of the hierarchical medical system, medicine review and approval system, the reform of medical equipment review and approval system, the reform of medicine price, traditional Chinese medicinal material protection, "Internet+" health care and precision medicine project guided the industry to a more efficient and reasonable direction, which brought a deepen reform to the pharmaceutical industry. Through internet, pharmaceutical enterprises enjoy price advantage by reducing the costs and intermediate links in the consumption, which helped to promote their products more easily and greatly enhanced their marketing capacity. The transformation of pharmaceutical e-commerce and traditional pharmacies through internet will become an inevitable development trend of the industry with huge potential for appreciation in the future.

During the period, the State Council issued Opinion of the Internet Action by the PRC State Council (《關於大力發展電子商務加快培育經濟新動力的意見》), Accelerating the Development of New Competitive Advantages in Foreign Trade (《關於加快培育外貿競爭新優勢的若干意見》), Guiding Opinions of the General Office of the State Council on Promoting the Healthy and Rapid Development of Cross-border E-commerce (《關於促進跨境電子商務健康快速發展的指導意見》) successively, all of which include "Internet+", facilitating the contents of the sustainable and healthy development for foreign trade of the Country. Cross-border e-commerce will be a new engine to the development of the foreign trade equipped with new concept and new mode.

BUSINESS REVIEW

As global economic growth slowed down, the development of China's economy has experienced an adjustment while the traditional drive force weakened and the new engine emerged. The growth of economy has been facing a challenge of mitigation and descending.

During the Reporting Period, on the basis of good growth momentum of 2014, the Group entered into a period to analyze, integrate, optimize and accelerate the universal health business, and established the complete business layout of "Universal Health +", including four sections of traditional retail distribution, brand management, overseas trade and cross-border e-commerce and merge and acquisition fund of universal health, and built the development model with two engines of "Industry + Capital", with an aim to explore the global market network of universal health.

By taking advantage of its listing position in Hong Kong, the Group actively implemented the strategy of "Two Cross and One Integration", namely cross-border, cross boundary, and integration of online and offline, which promoted the expansion of major business in the universal health industry. With the "Healthy China" becoming the state strategy, the Universal Health International adhered to the conception of cross-border marketing of "Global Purchasing and Selling", the Group established the global universal health management and operation platform integrating cross-border e-commerce, international trade, social network, O2O platform, operation training and capital operation, through which realized the overall layout of universal health industry.

Chain Retail Business

Under the downward pressure situation of the domestic economy, the Company's strategic layout to emphasis on "Internet + Universal Health" and "Future Store" business, as well as the characteristic of the universal health industry, during the Reporting Period, the Company stopped expanding the retail business to reinforce the internal improvement, enrich the brands of universal health and diversify the types of products, carry out "Royal Competition" and other internal development innovation methods, enhance the quality of service and explore the potentiality of the internal growth; while, in the meantime improve the competitiveness by leveraging the impact of high altitude advertising profile, so as to prevent the slide of the gross profit and obtain a well development. During the Reporting Period, the Group operated in a total of 954 self-operated stores after an additional store opened in Tonghua city, Jilin province, which made the Group rank in the top ten of the retail chain pharmacy in the PRC. In the second half of the Reporting Period, in line with the change to the new strategy, the Group separated its 954 self-operated stores into two groups: strategic stores (675) and non-strategic stores (279), and managed and allocated resources in different ways between the two groups.

Nationwide Distribution Business

In the face of the fierce competition in the distribution market, the Company strengthened the construction of the distribution team, perfected the services provided to the high-quality customers, increased the advertisement and promotion efforts and enhanced the impact of branded products; controlled the decrease of the sales income by updating and making adjustment to some customers.

During the Reporting Period, the Group put more efforts in upgrading and construction of the logistics centers in Shijia Zhuang of Hebei, Shenyang of Liaoning, Changchun of Jilin, Harbin of Heilongjiang, Jiamusi etc., for the purpose of complying with the requirements under the Good Supplying Practice of the PRC and playing a better role of radiation and distribution.

Direct supply and sales model

The Group's direct supply model effectively eliminated and reduced the traditionally heavily overlapped sales process, as well as simplified the supply chain to improve the sales efficiency and profitability and provide a higher profit margin than the industry average level for the Group. During the Reporting Period, the Group's management intensified efforts in the direct supply of branded products.

Branded Products Business

The Group established the sustainable development plan for Yushi Brand, and positioned the brand as “the Royal Gift”, classified the target beneficiaries into middle and old ages, youngster, and children according to the demand on the market, and further classified into wines, teas, ginsengs, beverages, snacks and specialties. On the basis of elements of royal culture, the Group built the high-end and distinguished image for its products, and satisfied the market demand of respecting the elder, friendship and health care.

E-commerce Business

Under the support of favourable national policies and in line with the “Cross-border and Cross-industry Integration Strategy” of the Group, since June 2015, the Group has been committed to taking a proactive approach to developing cross-border e-commerce business, increase the sale channels for the goods of the Group, cooperate with a number of third party cross-border e-commerce platforms and establish a comprehensive cross-border logistic network, with a view of establishing its cross-border e-commerce network featuring “Introducing Products to and from the Global Market”.

International Trade

During the Reporting Period, the Group actively implemented the strategy of “Diversified Product Lines, Cross-border Development and Integrated O2O Platforms”, which means cross-border, cross-industry, integration of online and offline business, so as to speed up the expansion of the global business, and boost the expansion of its core business into the international arena of universal health. In addition, the Group also took an active approach to recruiting managerial talents across the globe, including local purchasing and marketing elites in Singapore, Macau and Hong Kong, who are expected to make their efforts in carrying out negotiations on the distribution rights in the Greater China region. Current negotiations cover a wide range of products, including maternity and baby products, dietary supplements, cosmeceutical, daily chemical and healthcare devices. Through these initiatives, the Group intended to implement its strategy of “Introducing Products to and from the Global Market”, thus generating more commercial profits.

Institute Training

In order to take full advantage of the Chinese Business Institute, the Group expanded the service scope of the institute from mainly training branded products directly supply to customers to providing professional skills trainings for the people who has such kind of requirement, and provided with many value-added services, thus to build a talent growth and mobile platform.

Caring Activities

During the Reporting Period, the Caring China organized 355 caring activities and presented love to disadvantaged groups as caring volunteers, and attracted the attention of about 100,000 people. Caring China Schooling Support Project focused on teenagers and initiated the appreciation and inspirational touring presentation for China Schooling Support, which freely presented 314 presentations, and about 50,000 teenagers are benefited from it. The medical assistance activities of Caring China supported Tibet together with many pharmaceutical enterprises and donated medicines with total value of RMB1 million and solved the Tibet problem of shortage for doctors and medicines. Later, together with famous traditional Chinese medicine doctors, the Group went to Hubei and offered free consultation and medicines with total value of RMB100,000.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded revenue of RMB4,805.9 million, representing an increase of 10.3% as compared with RMB4,355.8 million last year. Profit attributable to owners of the Company was RMB31.2 million, representing a decrease of 93.4% as compared with RMB472.7 million last year. The decrease in profit attributable to owners of the Company was mainly due to the increase of selling and marketing expenses of the Group during the Reporting Period, provision for impairment of goodwill and the one-off share based payment as a result of the granting of the share incentives during the Reporting Period. Earnings per share for the Reporting Period was RMB1.57 cents (2014: RMB23.77 cents).

Revenue

During the Reporting Period, the Group recorded revenue of RMB4,805.9 million, representing an increase of RMB450.1 million or 10.3% as compared with RMB4,355.8 million last year. The increase was mainly attributable to the stable growth in Retails I and distribution businesses.

Analysis of revenue by business segment

	Revenue *(RMB million)*		Change	**% of total revenue**		Change
	2015	2014	*(%)*	**2015**	2014	*(%)*
Retails I	**1,986.7**	1,671.3	+18.9	**41.3**	38.4	+2.9
Retails II	**349.5**	336.7	+3.8	**7.3**	7.7	-0.4
	2,336.2	2,008.0	+16.3	**48.6**	46.1	+2.5
Distributions	**2,469.7**	2,347.8	+5.2	**51.4**	53.9	-2.5
	4,805.9	4,355.8		**100.0**	100.0	

Retail Business Segment

In the second half of the year 2015, in order to respond to the change in economic environment in the areas where the Group operates, the Group has adjusted the mid-long strategic plan for its operations and development. In prior period, management operated and monitored the retail business as a single operating segment. Following the change to the new strategy, the retail business was divided into two groups of operating segments according to certain similar economic characteristics that enable the Group to optimise its resources allocation among the two operating segments for their operation and growth. As a result, the Group separates the original segment of retails into two separate reportable segments: Retails I with strategic stores and Retails II consisting of non-strategic stores. Retails I are retail business with higher future development potential and strategic focus by the Group when allocating the resources, while Retails II are retail business located in remote areas without strategic importance and high growth potential. For the Reporting Period, the composition of reportable segments in accordance with IFRS 8 "Operating Segment" has changed to four segments, the distributions, Retails I, Retails II and others. The Group also re-presented its corresponding information for the year ended 31 December 2014 accordingly.

The increase in the overall retails business was mainly due to increase of revenue from outlets of strategic stores in Retails I and the sales volume from the retail stores acquired in 2014. During the Reporting Period, the Group continued its growth of Retails I 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. As at 31 December 2015, the Group had 954 (2014: 953) retail pharmacies in total, of which 688 (2014: 688) located in Heilongjiang, 168 (2014: 168) in Liaoning, 94 (2014: 93) in Jilin and 4 (2014: 4) self-operated retail pharmacies in Hong Kong. Among them, 675 retail pharmacies are strategic stores in Retails I and 279 (2014: 279) are non-strategic stores in Retails II. In addition, the Group had 16 (2014: 16) supermarkets in Shenyang as at 31 December 2015, mainly selling healthcare products and consumer goods. The performance of all the supermarkets are monitored in Retails I.

Distribution Business Segment

The steady increase in the distribution business was due to the sales during the Reporting Period from distribution companies acquired in 2014. During the Reporting Period, the Group continued its growth of distribution business through providing more specific value-added service to key customers and intensifying efforts to explore new quality customers.

As at 31 December 2015, the Group had a nationwide distribution network covering approximately 5,800 active customers (2014: approximately 6,500), including approximately 4,000 pharmaceutical retailers, hospitals and clinics (2014: 4,300) and approximately 1,800 distributors (2014: approximately 2,200).

Gross profit

Gross profit of the Group for the Reporting Period was approximately RMB1,340.6 million, representing an increase of RMB73.1 million or 5.8% as compared with RMB1,267.5 million last year.

Analysis of gross profit by business segment

	Gross profit *(RMB million)*		Changes	**Gross profit margin** *(%)*		Changes
	2015	2014	*(%)*	**2015**	2014	*(%)*
Retails I	**744.9**	663.4	+12.3	**37.5**	39.7	-2.2
Retails II	**135.7**	133.4	+1.7	**38.8**	39.6	-0.8
	880.6	796.8	+10.5	**37.7**	39.7	-2.0
Distributions	**460.0**	470.7	-2.3	**18.6**	20.0	-1.4
	1,340.6	1,267.5				

The overall gross profit margin was adjusted from 29.1% to 27.9% mainly due to the change of products mix for the Reporting Period. During the Reporting Period, gross profit margin of the Group's high-margin products increased from 45.9% to 47.1%, but the revenue of the high-margin products decreased by 4.0% over last year. The Group's high-margin products consist of licensed products and products with exclusive distribution rights. As at 31 December 2015, the Group had 360 (2014: 360) types of licensed products and 2,386 (2014: 2,392) types of products with exclusive distribution rights.

Selling and marketing expenses

Selling and marketing expenses for the Reporting Period was RMB986.4 million, representing an increase of RMB483.9 million or 96.3% over last year and accounted for 20.5% (2014: 11.5%) of the Group's revenue. The Group's marketing and advertising fees increased during the Reporting Period as the Group injected more resources in TV, network and vehicle advertisement for the purpose of promoting the Yushi brand and held large membership promotion activities and brand promotion activities.

Administrative expenses

Administrative expenses for the Reporting Period was RMB148.1 million, representing an increase of RMB58.7 million or 65.7% over last year and accounted for 3.1% (2014: 2.1%) of the Group's revenue. The increase was mainly due to the one-off payment of share incentives.

Impairment of goodwill

Management reviewed the business performance based on types of businesses. The Group's goodwill were attributed to the acquisitions in distribution and retail business in prior years. Accordingly, goodwill were allocated to distribution and retail segments. In prior years, the retail segment was operated and managed as a single operating segment and the corresponding business entities were benefited from the synergies from the integration and support of shared resources. In the second half of the year 2015, the retails business was divided into two reportable operating segments, Retails I and the Retails II according to their similar economic characteristics. As a result, goodwill of retails were allocated to respective operating segments and monitored by the management at the operating segment level. Based on the result of impairment test at the operating segment level, the Group made a provision for goodwill impairment in Retails II of RMB108.9 million, accounted for 2.3% of the revenue of the Group. In the year 2014, the Group made a provision of goodwill impairment amounting to RMB304,000 for one subsidiary suspended business.

Finance income – net

Net finance income for the Reporting Period was RMB8.6 million, representing an increase of RMB4.1 million or 89.1%. The increase was primarily due to foreign exchange gains generated during the Reporting Period.

Income tax expense

Income tax expense for the Reporting Period was RMB73.0 million, representing a decrease of RMB105.8 million or 59.2% over last year. The effective income tax rate for the Reporting Period was 68.3% (2014: 26.2%). The increase of effective income tax rate was mainly due to the significant increase of non-deductible expenses during the Reporting Period.

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 2015, the Group's unpledged cash and cash equivalents totalled approximately RMB1,333.3 million (2014: RMB1,349.2 million), and the Group's net current assets were approximately RMB1,859.2 million (2014: RMB1,731.2 million).

During the Reporting Period, net cash flows generated from operating activities amounted to approximately RMB46.3 million, as compared to approximately RMB592.0 million last year. The decrease of net cash flows was mainly due to the increase of sales and operating expenses made during the Reporting Period.

During the Reporting Period, the Group had capital expenditure of approximately RMB23.3 million (2014: RMB437.6 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 RMB. The Group's currency risk mainly arises from certain bank deposits that are denominated in Hong Kong dollars. As at 31 December 2015, the Group had approximately RMB1,333.3 million in cash and bank balances of which the equivalent of approximately RMB6.6 million was denominated in Hong Kong dollars. During the Reporting Period, 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 Reporting Period.

CAPITAL STRUCTURE

There was no movement in the Company's share capital and share options during the Reporting Period.

As at 31 December 2015, the Group had certain interest-bearing bank borrowings of approximately RMB166.9 million (2014: RMB295.5 million). Bank borrowings carried annual interest rates at approximately 3.6% (2014: 2.9%). All of the bank borrowings are denominated in Renminbi.

The gearing ratio of the Group as at 31 December 2015, calculated as net debt divided by sum of total equity and net debt, was N/A (2014: N/A).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2015, the Group has no significant contingent liabilities (2014: Nil).

As at 31 December 2015, 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 RMB227.4 million. As at 31 December 2014, the notes payable by the Group were secured by the time deposits of the Group with net aggregate booking value of approximately RMB382.8 million.

HUMAN RESOURCES

As at 31 December 2015, the Group had 6,220 (2014: 6,272) full-time employees in Hong Kong and the PRC with total employee benefit expenses amounted to approximately RMB332.5 million (2014: RMB229.9 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 qualification.

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 plans to launch "Future Store", which means the highly integration of real business and virtual channel on the backdrop of internet age through O2O model, thus to form the trinity structure (multi-framework cloud e-mall) with "E-mall", "Industry O2O" and "Micro-Marketing", which integrated the shopping terminal comprising online and offline communication, including site experience, online selecting and purchasing, mobile payment, store pick-up or logistics and post-delivery. In simple terms, the future store (the "Future Store") is a display screen installed in a specific part of a real store, where you can view all commodities. A foreground input device is set below the screen to select and purchase commodities, and main products are displayed in the surrounding cases and even taste area may be equipped, all of these form "the multi-framework cloud e-mall". The Future Store is with advantages of light asset, low cost, excellent experience and low inventory.

In future, on the basis of original business development, the Group will establish domestic universal health industry fund, and build marketing network of capital market through merge and acquisition of fund. The Group also plans to build international universal health industry fund, with an aim to further establish and consolidate the leading position of the Group in the universal health industry.

FINAL DIVIDEND

The Board does not recommend distribution of a final dividend for the year ended 31 December 2015 (2014: HK3.2 cents per share).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 June 2016 to Thursday, 16 June 2016, 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 2016. 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, 13 June 2016.

USE OF PROCEEDS FROM SHARE OFFER

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 December 2013. The total net proceeds amounted to approximately RMB868.1 million (equivalent to approximately HK$1,101.6 million). As at 31 December 2015, the net proceeds from the initial public offering were used for purposes which were consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 2 December 2013 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	(81.2)	179.2
For brand promotion	173.6	(173.6)	–
For working capital	86.9	(72.0)	14.9
Total	868.1	(674.0)	194.1

As at 31 December 2015, the unused net proceeds were placed with banks in the PRC by the Company as short-term deposits or term deposits.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company 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 on the Stock Exchange (the "**Listing Rules**") throughout the Reporting Period. 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 Ms. Hao Jia (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 Group, and overseeing the Group's financial reporting system, risk management and internal control systems. The Audit Committee had reviewed the audited annual results of the Group for the Reporting Period.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft audited consolidated financial statements for the Reporting Period. 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 set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he/she has complied with the Model Code for the Reporting Period.

During the Reporting Period, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE ANNUAL RESULTS AND 2015 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 2015 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.uhighl.com) in due course.

By order of the Board
Universal Health International Group Holding Limited
Jin Dongtao
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the Board comprises four executive directors, namely, Mr. Jin Dongtao, Mr. Jin Dongkun, Mr. Chu Chuanfu and Mr. Zhao Zehua and three independent non-executive directors, namely, Mr. Cheng Sheung Hing, Ms. Chiang Su Hui Susie and Ms. Hao Jia.