武夷药业
Wuyi Pharmaceutical

WUYI INTERNATIONAL PHARMACEUTICAL COMPANY LIMITED
武夷國際藥業有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1889)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 AND RESUMPTION OF TRADING

FINANCIAL HIGHLIGHTS

Revenue decreased by 52.7% to RMB263.0 million

Gross profit decreased by 85.0% to RMB18.0 million

Gross profit margin decreased to 6.8%

Loss for the year was RMB396.3 million

Loss per share was RMB20.0 cents

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Wuyi International Pharmaceutical Company Limited ("Wuyi Pharmaceutical" or the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016, together with the comparative figures of the year ended 31 December 2015.

The Group's financial information for the year ended 31 December 2016 in this announcement was prepared on the basis of the consolidated financial statements which have been reviewed by the Company's independent auditor and the Company's audit committee. The Group has agreed with the auditor as to the contents of this results announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	5	**263,025**	555,652
Cost of sales		**(245,062)**	(436,045)
Gross profit		**17,963**	119,607
Other revenue and other net income		**14,196**	1,978
Net (loss)/gain on disposal of land use rights and property, plant and equipment	6	**(7)**	35,003
Distribution costs		**(15,478)**	(44,112)
Administrative expenses		**(82,781)**	(52,660)
Finance costs	7(a)	**(2,117)**	(2,241)
Impairment loss on property, plant and equipment	7(c)	**(316,841)**	–
Impairment loss on land use rights	7(c)	**(15,261)**	–
Written off on property, plant and equipment	7(c)	**(89,931)**	–
Written off on inventories	7(c)	**(13,036)**	–
Share of results of an associate		**(105)**	–
(Loss)/profit before taxation	7	**(503,398)**	57,575
Income tax	8	**107,140**	(16,372)
(Loss)/profit for the year attributable to owners of the Company		**(396,258)**	41,203
Other comprehensive income for the year		**–**	–
Total comprehensive (loss)/income for the year attributable to owners of the Company		**(396,258)**	41,203
(Loss)/earnings per share – Basic and diluted	10	**RMB(20.0) cents**	RMB2.4 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**750,373**	796,531
Land use rights		**36,137**	52,632
Goodwill		**107,055**	–
Interest in an associate		**4,795**	–
Other intangible assets		**3,918**	–
Deferred tax assets		**169,736**	64,478
Deposits paid for acquisition of a subsidiary		**–**	52,875
		1,072,014	966,516
Current assets			
Inventories		**14,133**	30,785
Trade and other receivables	*11*	**112,280**	142,384
Tax recoverable		**336**	–
Financial assets at fair value through profit or loss		**41,977**	–
Cash and cash equivalents		**147,547**	555,247
		316,273	728,416
Current liabilities			
Trade and other payables	*12*	**49,546**	94,800
Secured bank loans	*13*	**85,600**	35,000
Current taxation		**988**	5,045
		136,134	134,845
Non-current liabilities			
Deferred tax liabilities		**13,736**	14,622
Net assets		**1,238,417**	1,545,465
Capital and reserves			
Share capital	*14*	**21,762**	18,527
Reserves		**1,216,655**	1,526,938
Total equity attributable to owners of the Company		**1,238,417**	1,545,465

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

Wuyi International Pharmaceutical Company Limited (the "Company") was incorporated in the Cayman Islands on 21 March 2006 and registered as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Cayman Companies Law") and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 1 February 2007. The addresses of the registered office and principal place of business of the Company are Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands and Unit 1113, 11/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong respectively. The principal activities of its principal subsidiaries are the development, manufacturing, marketing and sales of pharmaceutical products, sales of softwares and provision of consultancy services.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Company and its subsidiaries (the "Group"). Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the Group's chief executive officer, being the chief operating decision maker, that are used to make strategic decisions.

The Group manages its businesses by business lines which comprises the development, manufacturing, marketing and sales of pharmaceutical products, sales of softwares and provision of consultancy services. The chief operating decision maker reviews the Group's business as a whole for the purposes of resources allocation and performance assessment. Accordingly, the Group has only one operating segment and, therefore, there is no presentation of operating segment information. In addition, as the Group's revenue from external customers and the majority of the non-current assets of the Group are located in the PRC for both years, no geographical information is presented.

During 2016 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE

The principal activities of the Group are the development, manufacturing, marketing and sales of pharmaceutical products, as well as sales of softwares and provision of consultancy services.

Revenue includes the net invoiced value of goods sold and services rendered by the Group. The amounts of each significant category of revenue recognised during the year are as follow:

	2016	2015
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**262,742**	555,652
Provision of consultancy services	**283**	–
	263,025	555,652

6. NET (LOSS)/GAIN ON DISPOSAL OF LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, the Group has disposed property, plant and equipment and land use rights with carrying amounts of RMB92,000 (2015: RMB36,412,000) and Nil (2015: RMB5,074,000) respectively, resulting in a net loss on disposal of approximately RMB7,000 (2015: net gain on disposal of approximately RMB35,003,000).

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2016	2015
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank borrowings	**2,117**	2,241
(b) Staff costs		
Directors' and chief executive officer's emoluments	**2,926**	3,391
Other staff costs		
– Contributions to defined contribution retirement benefits plans	**4,143**	6,729
– Salaries, wages and other benefits	**26,106**	44,242
Total staff costs *#	**33,175**	54,362
(c) Other items		
Depreciation of property, plant and equipment *#	**74,794**	73,345
Amortisation of other intangible assets	**66**	–
Amortisation of land use rights	**1,234**	1,335
Auditor's remuneration	**1,609**	838
Net loss/(gain) on disposal property, plant and equipment and land use rights	**7**	(35,003)
Impairment loss on property, plant and equipment	**316,841**	–
Impairment loss on land use rights	**15,261**	–
Written off on property, plant and equipment	**89,931**	–
Written off on inventories	**13,036**	–
Equity-settled share-based payment expenses	**19,916**	–
Operating lease payments in respect of rented premises	**1,025**	1,344
Cost of inventories#	**244,906**	436,045
Research and development costs *	**4,135**	4,550

Cost of inventories includes approximately RMB76,401,000 (2015: approximately RMB79,891,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

* Research and development costs includes approximately RMB3,972,000 (2015: approximately RMB4,524,000) relating to staff costs and depreciation which amount is also included in the respective total amounts disclosed separately above.

8. INCOME TAX

	2016	2015
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("EIT")	**–**	19,546
Over-provision in respect of prior years	**–**	(1,250)
Deferred taxation	**(107,140)**	(1,924)
	(107,140)	16,372

a) In accordance with the relevant laws and regulations in the PRC, one of the PRC subsidiaries of the Group, Fujian Liumai Medical Services Co., Ltd. ("Fujian Liumai") is exempted from PRC EIT for two years ended 31 December 2016 and 2017, followed by a 50% reduction for the next three years ended 31 December 2018 to 31 December 2020. For other PRC subsidiaries of the Group, PRC EIT is calculated at 25% (2015: 25%) in accordance with the relevant laws and regulations in the PRC.

b) No provision for Hong Kong profits tax have been made as the Group had no assessable profits in Hong Kong for the year ended 31 December 2016 (2015: Nil).

9. DIVIDENDS

The directors of the Company do not recommend the payment of final dividend for both years ended 31 December 2016 and 2015.

10. (LOSS)/EARNINGS PER SHARE

a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB396,258,000 (2015: profit of approximately RMB41,203,000) and the weighted average of 1,983,786,200 ordinary shares (2015: 1,716,331,400 ordinary shares) in issue during the year.

b) Diluted (loss)/earnings per share

For the year ended 31 December 2016, no adjustment has been made to the basis loss per share amounts presented as the impact of the share options had anti-dilutive effect on the basic loss per share amounts presented. Therefore, the calculation of diluted loss per share is based on the loss attributable to owners of the Company of RMB396,258,000 and the weighted average number of 1,983,786,200 ordinary shares in issue during the year.

For the year ended 31 December 2015, diluted earnings per share equals basic earnings per share as there is no dilutive potential ordinary shares outstanding.

11. TRADE AND OTHER RECEIVABLES

The Group normally grants credit terms of 60 days (2015: 60 days) to its customers. Included in trade and other receivables are trade receivables of RMB3,414,000 (2015: RMB131,417,000) and their ageing analysis at the end of the reporting period, presented based on the invoice date:

	2016	2015
	RMB'000	*RMB'000*
0-30 days	**1,648**	65,372
31-60 days	**1,766**	66,045
	3,414	131,417

Management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB22,000 (2015: RMB55,131,000) and their ageing analysis based on the invoice date is as follows:

	2016	2015
	RMB'000	*RMB'000*
0 to 30 days	**22**	41,102
31 to 60 days	**–**	14,029
	22	55,131

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

13. SECURED BANK LOANS

The analysis of the carrying amount of secured bank loans is as follows:

	2016	2015
	RMB'000	*RMB'000*
Secured bank loans	**85,600**	35,000

At 31 December 2016 and 2015, interest-bearing bank loans are due for repayment within 1 year and carried at amortised cost. The amount due is based on the scheduled repayment date as stipulated in the respective loan agreements.

14. SHARE CAPITAL

	2016		2015	
	No. of shares *('000)*	***RMB'000***	No. of shares *('000)*	*RMB'000*
Issued and fully paid:				
Ordinary shares of HK$0.01 each				
At beginning of the year	**1,880,773**	**18,527**	1,709,773	17,098
Placing of new shares	**376,000**	**3,235**	–	–
Issue of consideration shares	**–**	**–**	171,000	1,429
End of the year	**2,256,773**	**21,762**	1,880,773	18,527

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back in 2016, the "Healthy China 2030" plan, published by the State Council, was the first medium to long term strategic plan at state level in respect of health in China since its founding. It was expected to boost demand for medical products and provide pharmaceutical enterprises with an opportunity to transform. However, pharmaceutical enterprises in China were still facing intense market competition and a difficult situation in industry restructuring in the previous year. Compared to 2015, the industry situation as a whole has no observable improvement with a continuous increase in cost of packaging, raw materials, labour and sales, which resulted in pressure on industrial profits and the elimination of some less efficient pharmaceutical enterprises.

In 2016, the sales of the Group were negatively affected by various factors. Two production lines in the plant located in Haixi Industrial and Trading Development Zone (the "Haixi plant") were suspended due to the carrying out of upgrades and enhancement on production lines in obtaining new Good Manufacturing Practice ("GMP") Certification. Although the Group increased its production volume prior to the suspension and kept inventories of the related products in advance, certain key products, including the Perilla Oil Capsule, were still in short supply. The Group expects to obtain the new GMP Certification and resume the operation of the two suspended production lines by end of May 2017. On the other hand, sales deteriorated in 2016 as the Haixi plant has been temporarily suspended as a result of a rupture in the main underground steam pipelines connecting all the production compartments in November 2016. An investigation found that the pipeline rupture was mainly caused by peeling damage to the surface of the steam pipelines and by unstable pressure. As at the date of announcement, most of the production facilities have resumed operations, we will hasten to resume the full production in the Haixi plant to fill the current sales gap.

Costs of purchase decreased following the reduced turnover. Among the costs of sales, the fixed costs (in particular, labour costs depreciation charges) did not decrease as the turnover did, which caused an increase in the proportion of the fixed costs to the overall costs of sales, affecting the overall gross profit margin.

In face of a multitude of challenges, the Group expanded its market under the strategy of lower profit margin but higher turnover and launched various new products to boost income of pharmaceutical products in 2016.

For the year ended 31 December 2016, the turnover of the Group recorded a year-on-year decrease of 52.7% to approximately RMB263.0 million. The overall gross profit was approximately RMB18.0 million and the gross profit margin recorded a year-on-year decrease of 14.7 percentage points to 6.8%. The loss attributable to the owners of the Company amounted to RMB396.3 million.

DEVELOPMENT OF MAJOR PRODUCTS

Perilla Oil Capsule

Perilla Oil Capsule is one of the key products of the Group. It is effective in lowering cholesterol, reducing low-density lipoprotein and increasing high-density lipoprotein. It is specifically effective in hyperlipidemia and its side effects are mild. For the year ended 31 December 2016, the turnover amounted to approximately RMB21.2 million, accounting for approximately 8.1% of the Group's turnover (2015: approximately RMB39.7 million, accounting for 7.1% of the Group's total turnover). The decrease in sales was mainly attributable to the suspension in Haixi plant, the inability to meet market demand due to inventory shortage as well as the year-on-year decrease by 17.5% in the price of Perilla Oil Capsule.

N(2)-L Alanyl-L Glutamine Injectable

During the year, there was keen competition within the N(2)-L Alanyl-L Glutamine Injectable market. However, as its production was not affected by the suspension and the Group strengthened its marketing effort and implemented effective and targeted marketing strategies, the turnover increased by 18.0% to RMB44.1 million, accounting for approximately 16.8% of the total revenue of the Group (2015: approximately RMB37.4 million, accounting for approximately 6.7% of the total revenue of the Group). Therefore, N(2)-L Alanyl-L Glutamine Injectable became the best seller of the Group.

Compound Chinese Angelica Injectable

Compound Chinese Angelica Injectable had decreased in sales in 2016 with an upward adjustment of the price by over 4.5%. Its turnover amounted to approximately RMB12.1 million, accounting for approximately 4.6% of the Group's total revenue (2015: approximately RMB18.8 million, accounting for approximately 3.4% of total revenue).

Other products

In 2015, the Group introduced four new products, which are Western prescription medicines, including (plastic bottle) sodium chloride injectable, (plastic bottle) 5% glucose injectable and two (plastic bottle) 10% glucose injectables of different volumes. In 2016, the price of (plastic bottle) sodium chloride injectable dropped by 3% while its turnover increased by RMB1.1 million or 26.7% and its gross profit margin increased by 2.7 percentage point as compared to the same period last year. The price of glucose injectable is similar to previous year while its turnover increased by RMB5.1 million or 114% and its gross profit margin decreased by 18.7 percentage point as compared to the same period last year due to the increase of depreciation expenses in cost of sales.

In 2016, the Group launched 21 Western prescription injectables with different specifications, including sodium chloride injectable, glucose injectables and glucose sodium chloride injectables packed in plastic bottles, soft bags and glass bottles, accounting for 1.9% of the Group's total revenue.

Research and development (R&D) of new medicines

Since the research and development of new medicines requires a vastness of resources, the Group, according to the market conditions and industry environment, controlled R&D expenditure for new drugs cautiously, focused resources on promoting the research of new medical treatment results of Perilla Oil Capsule and conducted the research on the anti-hepatitis compound drug liver & gall bladder tablets in cooperation with the Department of Medicine of Peking University. The Group would also focus its resources on operation of existing products to strive for quality consistency evaluation of products with greater potential.

SALES NETWORK AND MARKETING

The Group's sales network covers 27 key provinces, municipalities and autonomous regions across China, mainly covering the more affluent coastal cities and provinces in the eastern region and the north-eastern region of China. During the period under review, the number of medicine distributors substantially increased by 78 to 136.

The Group recognized that there was an immense demand for affordable ordinary medicines with good quality in the rural markets in China and promoted various types of its affordable ordinary medicines in rural areas by adjusting resources and engaging county-level pharmaceutical companies. During the period under review, turnover in rural areas amounted to approximately 13.4% of the Group's total turnover, which was approximate to that of the same period in 2015. The Group will continue to explore opportunities in rural markets to increase its sales of ordinary medicines.

In 2016, the Group further consolidated its marketing resources on organizing academic seminars, new medicine promotion seminars, as well as medicine trade fairs to introduce the advantages of various medicines through professional channels.

COMPLETION OF ACQUISITION OF A SUBSIDIARY AND FORMATION OF AN ASSOCIATE COMPANY

During the year, the Group completed the acquisition of Fujian Liumai, an enterprise with sales of softwares and provision of consultancy services as its core business. As the acquisition was completed on 16 December 2016, the revenue contribution to the Group's turnover during the year was only RMB283,000.

In accordance with the terms of the relevant share transfer agreement dated 9 December 2015, the vendors have jointly and severally undertaken and guaranteed that the total audited net profit after taxation of Fujian Liumai arising from its ordinary course of business (excluding non-operating income and extraordinary income) for the financial year ended 31 December 2016 shall not be less than RMB8,000,000. Based on the audited financial statements of Fujian Liumai, such guarantee had been fulfilled for the year ended 31 December 2016. As such, no adjustment to the consideration for the acquisition of equity interests in Fujian Liumai is required.

Furthermore, the Group on 4 November 2016 entered into a cooperation agreement with Antu County Huifeng Agricultural Trade Company Limited in respect of, among others, the formation of an associate company, the provision of financial assistance and the cooperation regarding the planting, processing, production and sales of Perillas and Perilla seeds. As at 31 December 2016, the associate company was still in the preparatory stage in sourcing suitable plantation base, and had not yet contributed revenue to the Group.

OUTLOOK

The central government has issued a medium to long term national strategic plan in respect of health and implemented policies such as "two-invoice system" and "quality consistency evaluation" in order to create a healthy and good operating environment in the long term. Looking forward, reform of the pharmaceutical industry will continue to deepen at a fast pace. Although strengthening the regulatory requirements and rising the entry barriers may result in industry restructuring, the management of the Company believes that opportunities come with challenges. A more standardized market will ultimately be beneficial to the healthy development of the industry and the market in the long term.

Seeking changes while maintaining stability and grasping the market's needs

The Group recognized that there was an immense demand for affordable ordinary medicines with good quality in the rural markets. In order to grasp the market's needs, the Company will continue its strategy of lower profit margin but higher turnover to expand its base of sales in a short period of time.

At the same time, the management realizes that customers have different demands for Western prescription injectable products in different specifications of package. In order to meet the needs of the market and to further boost sales, the Group launched various products of different specifications last year, including new packages of 250 ml and 150 ml. These products were put into production and launched. The initial response to these products was satisfactory, which further enhances the potential sales of products and can have a marketing effect on other pharmaceutical products and push up their revenue, while driving the overall revenue base at the same time.

Expanding the industrial value chain to ensure a stable supply of raw materials with good quality

In 2016, a wholly-owned subsidiary of the Company participated in a joint investment in Perilla and Perilla seed planting, processing, production and sales business in Antu County, Jilin Province, China. As at 31 December 2016, the associate company was still in the preparatory stage in sourcing suitable plantation base. It is expected to provide the Group with high quality Perilla seeds at the lowest price in the market, which helps to control the production cost of Perilla Oil Capsule, our key product, and to stabilize the inventory level and supply of our products in order to cater for the immense market demand and potential in the future.

In the face of intense industrial competition, the Group is confident to keep abreast of market dynamics with a diversified product portfolio, experienced sales teams, competitive product prices and sales performance. On one hand, we will put our resources in strengthening sales and marketing activities of existing products, on the other hand, we will hasten to resume the production in the Haixi plant to fill the current sales gap.

The management firmly believes that the pharmaceutical industry is experiencing a golden period of long-term growth against the backdrop of an increase in per capita disposable income, population aging and urbanization. The Group will grasp the developing opportunity with timely moves and actively adjust its product portfolio. At the same time, the Group will optimize its sales network to increase its market shares in rural areas and lay the solid foundation for long-term growth of profit so as to generate optimal returns for the Group's partners and shareholders.

FINANCIAL REVIEW

1. Turnover

To keep consolidating the development of existing medicine business and markets, the Group reinforced the sales strategies of "small profit, quick return" and focused on rural markets. The Group recorded an overall turnover of approximately RMB263.0 million (2015: approximately RMB555.7 million), representing a decrease of approximately 52.7%. Turnover of the second half of the year was approximately RMB91.5 million (turnover of the first half of the year was approximately RMB171.5 million), representing a decrease of approximately 46.7% as compared with that of the first half of the year due to the temporary suspension of Haixi plant as a result of a rupture in the main underground steam pipelines connecting all the production compartments in November 2016.

Turnover of 2016 was still dominated by Western medicines, we recorded a turnover of approximately RMB177.3 million in Western medicines, accounting for approximately 67.4% of the overall turnover and representing a decrease of approximately 40.0% over last year (2015: approximately RMB295.4 million, representing approximately 53.2% of the overall turnover). The turnover of Chinese medicines amounted to approximately RMB81.7 million, accounting for approximately 31.1% of the overall turnover and representing a decrease of approximately 67.1% over last year (2015: approximately RMB248.0 million, accounting for approximately 44.6% of the overall turnover). The difference in proportion of the turnover of Western medicines and Chinese medicines increased. In addition, the pharmaceutical trading revenue recorded a turnover of approximately RMB3.7 million, accounting for approximately 1.4% of the overall turnover and representing a decrease of approximately 70.0% over last year (2015: approximately RMB12.3 million, accounting for approximately 2.2% of the overall turnover), representing a decrease as compared with the proportion of last year.

Although our key product, Perilla Oil Capsule, has obtained approval from Fujian, Shanxi, Inner Mongolia and Xinjiang for listing in the provincial medical insurance directories and it is still under a monitoring period, it is yet to be listed in the national medical insurance directory, together with the suspension of production in the Haixi plant, causing inability to meet market demand due to inventory shortage and the lowering of the unit price of Perilla Oil Capsule by 17.5% over last year, its production and sales were affected to a certain extent. Sales for the year amounted to approximately RMB21.2 million, accounting for approximately 8.1% of the overall turnover, or a decrease of approximately 46.6% over last year (2015: approximately RMB39.7 million, accounting for approximately 7.1% of the overall turnover).

The highest sales volume was again achieved by Western medicine, N(2)-L Alanyl-L Glutamine Injectable, with a turnover of approximately RMB44.1 million, representing approximately 16.8% of the overall turnover (2015: approximately RMB37.4 million, representing approximately 6.7% of the overall turnover). Due to the reduction of productivity of certain products as a result of the suspension of production in the Haixi plant, the Group focused on N(2)-L Alanyl-L Glutamine Injectable and strengthened its promotion during the year. Therefore, the turnover of this product increased by approximately 18.0% as compared with the same period of last year. Sales of the five top selling medicines amounted to approximately RMB128.1 million, representing approximately 48.7% of the overall turnover (2015: approximately RMB164.5 million, representing approximately 29.6% of the overall turnover). The Group introduced 21 Western prescription medicines of different specifications, including sodium chloride injectable, glucose injectable and glucose sodium chloride in plastic bottles, soft bags and glass bottles, their turnover for the year was approximately RMB5.0 million, representing approximately 1.9% of the overall turnover.

2. Gross Profit and Gross Profit Margin

Gross profit of the Group decreased by approximately 85.0% over last year to approximately RMB18.0 million (2015: approximately RMB119.6 million). Gross profit margin decreased to approximately 6.8% (2015: approximately 21.5%):

(1) Turnover: Turnover was affected by various negative factors. Two production lines in the Haixi plant were suspended due to the carrying out of upgrades and enhancement on production lines in obtaining new GMP Certification. Although the Group increased its production volume prior to the suspension and kept inventories of the related products in advance, certain key products, including the Perilla Oil Capsule were still in short supply. On the other hand, sales was further deteriorated in 2016 as the Haixi plant has been temporarily suspended as a result of a rupture in the main underground steam pipelines connecting all the production compartments in November 2016;

(2) Cost of sales: The new plant could officially produce medicines of relevant specifications starting from the beginning of 2015. The new plant and relevant production facilities newly acquired slightly increased the depreciation expenses in the cost of sales to approximately RMB69.2 million, representing approximately 28.2% of the overall cost of sales (2015: approximately RMB67.8 million, representing approximately 15.6%), and an increase of 2.0% over last year, where the overall proportion of sales costs decreased by 43.8 percentage points over last year.

The decrease in gross profit margin was mainly due to the decrease in turnover which resulted in a decrease in purchase costs. Among the costs of sales, the fixed costs (including labour costs and depreciation charges) did not decrease as the turnover did, which caused an increase in the proportion of the fixed costs in the overall costs of sales, affecting the overall gross profit margin.

Apart from the depreciation charges, the proportion of other cost of sales, including raw materials, packaging materials, energy and fuel costs, as well as direct labor costs and others, remained essentially the same, except that the related amounts decreased with the drop in sales as compared with the same period of last year.

3. Loss for the year

Although the Group reduced its product prices in the year under review, the suspension of production led to a decrease in both sales and gross profit. Also, impairment on the property, plant and equipment and the land use rights largely increased the Group's loss during the period under review. The Group recorded a loss of approximately RMB396.3 million (2015: profit amounted to approximately RMB41.2 million).

The distribution costs decreased by approximately 64.9% to approximately RMB15.5 million (2015: approximately RMB44.1 million). The main reason for the decrease was that the relevant advertising and marketing expenses of our three wholly-owned subsidiaries in the PRC was approximately RMB0.1 million in total for the year under review, representing a decrease of approximately 99.0% over last year (2015: approximately RMB14.2 million). Since last year, the Group further reduced its investment in advertising resources substantially and invested in other areas with more apparent benefits. The Group will continue to participate in academic and new medicine promotion seminars, as well as medicine trade fairs to introduce the advantages of various medicines.

Furthermore, during the period under review, the Board identified certain impairment indicators, among others, the turnover of the Group did not increase as anticipated and the gross profit deteriorated. In response to the impairment indicators identified, the Group performed an impairment review of the recoverable amount related to the Group's production facilities in the Haixi plant.

For the purpose of impairment testing, the property, plant and equipment and the land use rights located at the above production factories had been allocated to a cash generating unit ("CGU") and the recoverable amount of the Group's production facilities is determined through determining the recoverable amount of the CGU.

The Group determined the recoverable amount of the CGU on the basis of value-in-use calculations, which adopted the discount cash flow method, an income approach technique. The calculation was based on, among others, the following:

– cash flow forecast for the next five years as approved by the management, which had taken into account of the following assumptions: budgeted sales, expected gross profit margins and stable material price inflation rate of 3% per year (2015: 2%) during the next five-year period based on the Group's past performance, available market data and the management's reasonable expectations for the market development;

– cash flow forecast beyond the fifth year is extrapolated using an annual growth rate of 3% (2015: 2%) which is based on industry and firm specific forecast;

– discount rate of approximately 13.5% (2015: 12.0%) by adopting weighted average cost of capital; and

– reference to a valuation performed by an independent professional valuer, APAC Assets Valuation and Consulting Limited.

Based on the value-in-use calculation as above, the recoverable amount of the CGU as at 31 December 2016 was approximately RMB786.4 million, which was below the carrying amount of the CGU as at 31 December 2016, i.e. RMB1,118.5 million. Accordingly, the Group recognised an impairment loss of RMB332.1 million in total, including RMB316.8 million and RMB15.3 million in the property, plant and equipment and the land use rights respectively. Due to the drop in sales demand, suspension of two production lines in the Haixi plant due to the upgrading and enhancement of existing production equipment for new GMP Certification and the continuously deepening of the pharmaceutical system reform in China, the Group has experienced significant drop in revenue and gross profit during the year. In consideration of the uncertainty due to marketing competition, government policies such as environmental regulations and other reforms in laws and regulations, it is uncertain whether the sales after obtaining new GMP Certification and the completion of reconstruction work of the Haixi plant can resume back to previous level. Hence, the management adopted a conservative projected cash flow forecast which resulted in a significant impairment loss. Such impairment loss was mainly attributable to the non-cash accounting treatment on the impairment losses on these production facilities, and mainly to reflect the value in use of the assets. Accordingly, such impairment loss is a non-cash expense with no impact on the Group's cash flow or business and production operations. No such impairment loss was provided for the non-current assets including any production equipment for last year.

On 15 September 2016, the strong typhoon Meranti hit Fujian and brought heavy rainfall to Haixi plant. Furthermore, on 8 November 2016, there was a rupture of the main underground steam pipelines connecting all the production compartments occurred in the small hours, which has destroyed and suspended the operation of pipelines for water for injection, nitrogen gas, fire hose and sewage in the Haixi plant. These incidents have caused damage on production facilities and inventories, as a result the Group has written off RMB89.9 million and RMB13.0 million of property, plant and equipment and inventories for the year respectively.

Administrative and other expenses increased approximately 57.2% over last year to RMB82.8 million (2015: approximately RMB52.7 million). The increase was mainly attributable to the share option expenses for approximately RMB19.9 million (2015: Nil).

Finally, tax credit of the Group amounted to approximately RMB107.1 million (2015: tax expenses of approximately RMB16.4 million). It mainly included (i) deductible temporary differences arising from the impairment of property, plant and equipment and land use rights amounted to approximately RMB83.0 million (2015: Nil); (ii) deductible temporary difference arising from the write-off on property, plant and equipment amounted to approximately RMB22.5 million (2015: Nil); and (iii) withholding deferred income tax for the provision of undistributed profits for the three wholly-owned subsidiaries in the PRC and the deferred tax credit amounted to approximately RMB1.9 million (2015: tax expenses of approximately RMB792,000).

4. Liquidity, Financial Resources and Capital Structure

As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB147.5 million (2015: approximately RMB555.2 million) and most cash and cash equivalents were denominated in Renminbi and Hong Kong dollars. The decrease in cash and cash equivalents during the year under review was mainly due to the increase of capital expenditure of the Group (see note 9 below). As at 31 December 2016, the Group's secured bank loans which were secured by land use rights and property, plant and equipment amounted to approximately RMB85.6 million (2015: RMB35.0 million). The loans were denominated in Renminbi, carried interest at fixed rates ranged from 4.6% to 4.8% (2015: 5.0% and 6.4% respectively) per annum and are repayable within 1 year. The Group continued to maintain a stable financial position with low gearing and healthy cash flows. During the year, the Group did not use any financial instruments for hedging purpose.

The Group reviewed the capital structure by using a gearing ratio. The gearing ratio representing the total debt, which includes trade and other payables and secured bank loans of the Group divided by total equity of the Group. The gearing ratio of the Group was approximately 10.9% as at 31 December 2016 (2015: approximately 8.4%).

5. Fund Raising Activity

On 9 September 2016, in order to enlarge the shareholder base and the capital base of the Company as well as strengthening the Group's financial position for future development of the Group, the Company entered into a placing agreement with a placing agent whereby the Company conditionally agreed to place, through the placing agent, on a best effort basis, 376,000,000 new ordinary shares of the Company of HK$0.01 each to not less than six independent placees at HK$0.22 per new share to be placed under the placing. The above placing was completed on 23 September 2016 and the net proceeds amounted to approximately RMB69.3 million (equivalent to HK$80.5 million, representing a net placing price of HK$0.21 per placing share). As at 31 December 2016, approximately RMB31.1 million of the net proceeds were being applied as investment in short-term equity securities, with the remaining as cash deposits in a financial institution in Hong Kong.

On 9 September 2016, being the date of the placing agreement, the closing price of the Company's shares was HK$0.265 per share as quoted on the Stock Exchange. Details of the placing are set out in the announcement of the Company published on 9 September 2016.

6. Exposure to Fluctuation in Exchange Rates

For the year ended 31 December 2016, the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or negative impacts on its operations as a result of fluctuations in currency exchange rates. As at 31 December 2016, the Group did not have any foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose. Therefore, the Group was not exposed to any material interest and exchange risks.

7. Significant Acquisitions and Disposal of Investments

For the year ended 31 December 2016, the Company had no other significant acquisitions and disposal of investment save as the following:

On 4 November 2016, Fuzhou Sanai Pharmaceutical Company Limited (福州三愛藥業有限公司) ("Fuzhou Sanai"), a wholly-owned subsidiary of the Company entered into a cooperation agreement (the "Cooperation Agreement") with Antu County Huifeng Agricultural Trade Company Limited* (安圖縣匯豐農貿有限公司) ("Huifeng") in respect of, among others, the formation of the Antu County Chinese Medicines Technology Development Company Limited* (安圖縣廣匯中藥材科技發展有限公司) (the "Associate Company"), the provision of a shareholder's loan to the Associate Company by Fuzhou Sanai in the sum of approximately RMB112.7 million and the cooperation regarding the planting, processing, production and sales of Perillas and Perilla seeds. The Associate Company is a limited company established in the PRC and is held as to 51% by Huifeng and 49% by Fuzhou Sanai. The Associate Company will be principally engaged in the planting, processing, production and sales of Perillas and Perilla seeds based in Antu County of Jilin Province of the PRC. Further details of the Corporation Agreement were disclosed in the announcement of the Company dated 23 January 2017.

8. The Number and Remuneration of Employees

For the year ended 31 December 2016, the Group employed approximately 355 employees (2015: 417 employees) with a staff cost of approximately RMB33.2 million (2015: approximately RMB54.4 million). The Group determines staff remuneration in accordance with prevailing market salary scales, individual qualifications and performance. Remuneration packages including performance bonuses and entitlements to share options are reviewed on regular basis.

9. Capital Expenditure

For the year ended 31 December 2016, capital expenditure of the Group for property, plant and equipment and for the construction and development of existing factory located in Fujian Province for its own use in our ordinary and usual course of business amounted to approximately RMB435.5 million (2015: approximately RMB93.6 million). The increment was due to the capital expenditure incurred on (i) the reconstruction work in the Haixi plant arising from the rupture of the main underground steam pipelines connecting all the production compartments and other damaged production facilities; and (ii) the upgrades and enhancement on the production lines in the Haixi plant in obtaining new GMP Certification.

DIVIDEND

The Board does not recommend payment of any final dividend for the year ended 31 December 2016 (31 December 2015: Nil).

DIRECTORS' 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 the Company's own code for securities transactions by its Directors. In addition, the Company has made specific enquiries of all Directors and each Director confirmed that during the year ended 31 December 2016, they fully complied with the required standards as set out in the Model Code.

SHARE OPTIONS

On 14 October 2016, 164,000,000 share options were granted to certain grantees (the "Share Options") under the share option scheme of the Company adopted on 8 January 2007 (the "Share Option Scheme"). The following table discloses movements in the Share Options during the year:

Category of participant	Number of share options: At 1 January 2016	Granted during the year	Cancelled or lapsed during the year	Exercised during the year	At 31 December 2016	Date of grant	Exercise period	Exercise price *(HK$)*	Closing price of the shares immediately before the date of grant *(HK$)*
Non-employees in aggregate	–	164,000,000	–	–	164,000,000	14 October 2016	14 October 2016 to 13 October 2021 *(Note)*	0.32	0.31
	–	164,000,000	–	–	164,000,000				

Note: The Share Options do not subject to any vesting period.

SHARE OPTIONS SCHEME

The Company has adopted the Share Option Scheme for, among others, the senior management and employees on 8 January 2007, which serves as incentives or rewards to attract, retain and motivate staff.

Save for 164,000,000 Share Options granted as mentioned in the paragraph headed 'Share Options' above, no option was granted, exercised, cancelled or lapsed during the year. The Share Option Scheme expired on 31 January 2017.

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company (the "AGM") will be held on Friday, 16 June 2017 and the notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 8 June 2017 to Friday, 16 June 2017 (both days inclusive). In order to be qualified for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 7 June 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year.

COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance practice, such that the interests of the Company's shareholders, customers, employees as well as the long term development of the Company can be safeguarded.

The Company has complied with the provisions as set out in the Corporate Governance Code (the "Code") during the year ended 31 December 2016 as contained in Appendix 14 to the Listing Rules to ensure that the Company is up to the requirements as being diligent, accountable and professional, except for deviation from provision A.2.1 of the Code in respect of the roles of chairman and chief executive officer ("CEO") of the Company. The Board considered that vesting the roles of Chairman and the CEO in the same person facilitates the execution of the Company's business strategies and maximizes effectiveness of its operations. On the other hand, there are three independent non-executive Directors in the Board, all of them possess adequate independence and therefore the Board considers the Company has achieved balance of and provided sufficient protection to its interests and the interests of its shareholders. The Board shall review the structure from time to time and shall consider the appropriate adjustment should suitable circumstance arise.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The composition of the audit committee of the Company (the "Audit Committee") and their attendance records for the year ended 31 December 2016 were as follows:

Directors	Number of attendance
Independent non-executive Directors:	
Mr. Zhang Jie *(Chairman)* *(appointed with effect from 30 June 2016)*	1/1
Mr. Zhang Xue Wen *(appointed with effect from 30 June 2016)*	1/1
Mr. Wu Cheng Han *(appointed with effect from 30 June 2016)*	1/1
Mr. Lam Yat Cheong *(Chairman)* *(resigned with effect from 30 June 2016)*	2/2
Mr. Liu Jun *(resigned with effect from 30 June 2016)*	2/2
Mr. Du Jian *(resigned with effect from 30 June 2016)*	2/2

Each member can bring to the committee his valuable experience in reviewing financial statements and evaluating significant control and financial issues of the Company as each of them possesses management experience in the accounting profession or commercial sectors.

The principal duties of the Audit Committee include the review and supervision of the Company's financial reporting system, financial statements and internal control procedures. The Audit Committee also monitors the appointment of the Company's external independent auditor. The terms of reference of the Audit Committee are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

The Audit Committee shall meet at least twice a year. During the year under review, three meetings (on 24 March 2016, 6 April 2016 and 23 August 2016) were held. For the two meetings held on 24 March 2016 and 6 April 2016, the consolidated financial statements of the Company for the financial year ended 31 December 2015 and the Company's internal control system reports were reviewed, and with recommendation to the Board for further approval. For the meeting held on 23 August 2016, the Audit Committee reviewed the consolidated financial statement of the Company for the six months ended 30 June 2016 and the Company's internal control system reports were reviewed, and with recommendation to the Board for further approval. The annual results announcement and annual report of the Group and the reports on the Company's internal control and risk management systems for the year ended 31 December 2016 had also been reviewed by the Audit Committee in the meeting on 13 April 2017, with no disagreement among all Audit Committee members, and with recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules. The composition of the remuneration committee of the Company (the "Remuneration Committee") and their attendance records for the year ended 31 December 2016 were as follows:

Directors	**Number of attendance**
Executive Director:	
Mr. Lin Ou Wen	1/1
Independent non-executive Directors:	
Mr. Zhang Jie *(Chairman)* *(appointed with effect from 30 June 2016)*	0/0
Mr. Zhang Xue Wen *(appointed with effect from 30 June 2016)*	0/0
Mr. Wu Cheng Han *(appointed with effect from 30 June 2016)*	0/0
Mr. Lam Yat Cheong *(Chairman)* *(resigned with effect from 30 June 2016)*	1/1
Mr. Liu Jun *(resigned with effect from 30 June 2016)*	1/1
Mr. Du Jian *(resigned with effect from 30 June 2016)*	1/1

The Board has delegated the authority to the Remuneration Committee to review and recommend to the Board the compensation scheme of the Directors as well as that of the senior management staff.

The main function of the Remuneration Committee is to assist the Board to oversee the Company's remuneration packages, bonus and other compensation payable to Directors and senior management and establish a transparent procedure for developing policy on such remuneration. The Board shall provide sufficient resources to the Remuneration Committee to enable it to discharge its duties.

During the year under review, the Remuneration Committee has conducted a meeting on 30 June 2016. The Remuneration Committee assisted the Board to review and made recommendations to the Board on the remuneration of newly appointed executive Directors and independent non-executive Directors. The terms of reference of the Remuneration Committee are available for inspection on the Company's website at www.wuyi-pharma.com and the website of the Stock Exchange.

The Company adopted the Share Option Scheme for the senior management and employees on 8 January 2007, which serves as incentives or rewards to attract, retain and motivate staff.

NOMINATION COMMITTEE

The Company has established a nomination committee with written terms of reference. The composition of the nomination committee of the Company (the "Nomination Committee") and their attendance records for the year ended 31 December 2016 were as follows:

Directors	**Number of attendance**
Executive Directors:	
Mr. Lin Ou Wen *(Chairman)*	1/1
Mr. Lin Qing Ping (*retired with effect from 2 June 2016, appointed with effect from 30 June 2016 and resigned with effect from 14 October 2016)*	0/0
Independent non-executive Directors:	
Mr. Zhang Jie *(appointed with effect from 30 June 2016)*	0/0
Mr. Zhang Xue Wen *(appointed with effect from 30 June 2016)*	0/0
Mr. Wu Cheng Han *(appointed with effect from 30 June 2016)*	0/0
Mr. Lam Yat Cheong *(resigned with effect from 30 June 2016)*	1/1
Mr. Liu Jun *(resigned with effect from 30 June 2016)*	1/1
Mr. Du Jian *(resigned with effect from 30 June 2016)*	1/1

The main functions of the Nomination Committee are to review the structure, size and composition of the Board, to identify individuals who are suitably qualified to become members of the Board, and to assess the independence of the independent non-executive Directors. Having regard to the independence and quality of nominees, the Nomination Committee shall make recommendations to the Board so as to ensure that all nominations are fair and transparent. The Nomination Committee is also responsible for reviewing the succession planning for Directors, in particular the chairman of the Board and the chief executive officer of the Company and reviewing the objectives set for implementing and reviewing the Board Diversity Policy as well as the composition and diversity of the Board. The Board shall provide sufficient resources to the Nomination Committee to enable it to discharge its duties.

Pursuant to the Company's Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company provided that every Director shall be subject to retirement at least once every three years. The retiring Directors are eligible to offer themselves for re-election.

During the year under review, the Nomination Committee has conducted a meeting on 30 June 2016, in which the members of Nomination Committee performed appraisal of newly appointed executive Directors and independent non-executive Directors, recommended the Board to appoint them as Directors and certain of them as members of Board committees and reviewed the independence of the independent non-executive Directors. During the year under review, the Nomination Committee also monitored the implementation of the Board Diversity Policy. The terms of reference of the Nomination Committee are available for inspection on the Company's website at www. wuyi-pharma.com and the website of the Stock Exchange.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the results announcement of the Group for the year ended 31 December 2016 have been reviewed and agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited 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 Crowe Horwath (HK) CPA Limited on this announcement.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

The 2016 annual report containing all the information required by the Listing Rules will be made available on our Company's website at www.wuyi-pharma.com and the Stock Exchange's website at www.hkexnews.hk in due course.

ACKNOWLEDGEMENT

I would like to offer the Board's sincere gratitude to the management team and all other employees for their hard work and dedication. Their excellence and commitment are of vital importance in enhancing the Company's sustainability.

Finally, I would like to take this opportunity to thank our shareholders and all other stakeholders for their continuous support and confidence in us.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 9:00 a.m. on 3 April 2017 pending publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on 18 April 2017.

By Order of the Board
Wuyi International Pharmaceutical Company Limited
Lin Ou Wen
Chairman and Chief Executive Officer

Hong Kong, 13 April 2017

As at the date of this announcement, the Board comprises 3 executive Directors, namely, Mr. Lin Ou Wen (Chairman), Mr. Chen Cheng Qing and Ms. Hung Hoi Lan, and 3 independent non-executive Directors, namely, Mr. Zhang Jie, Mr. Zhang Xue Wen and Mr. Wu Cheng Han.

* *for illustrative purpose only*