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百信集團
PASHUN GROUP

Pa Shun Pharmaceutical International Holdings Limited
百信藥業國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 574)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “**Board**”) of Pa Shun Pharmaceutical International Holdings Limited (the “**Company**”) is pleased to announce the annual results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2015 together with the comparative figures for the corresponding period in 2014. The Group’s annual results are audited, and have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

ANNUAL RESULTS HIGHLIGHTS

	Audited		Change (%)
	Year ended 31 December		
	2015	2014	
	RMB’000	RMB’000	
Revenue	867,963	847,193	2.5%
Gross profit	165,265	182,067	(9.2%)
Profit from operations	80,573	118,832	(32.2%)
Profit for the year	84,886	46,129	84.0%
Profit attributable to equity shareholders of the Company	88,257	45,944	92.1%
Basic earnings per share – RMB cents	11.31	8.74	29.4%
Diluted earnings per share – RMB cents	5.74	8.74	(34.3%)

CHAIRMAN'S STATEMENT

On behalf of the Company's board of directors, I hereby present the audited annual results of the Group for the year ended 31 December 2015.

Business Review

The Group continued to focus on the pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing businesses in the People's Republic of China ("China").

In 2015, the Group's revenue generated by the pharmaceutical distribution segment amounted to RMB740.0 million, representing an increase of approximately 4.7% as compared to RMB707.1 million in 2014. This was primarily attributable to the fact that (i) optimizing the product mix provided a stimulus to the sales of wholesalers, thereby expanding the Group's market share; and (ii) revenue from the sales to hospitals in the rural regions as well as other medical institutions continued to increase, though the overall growth of the segment was offset by the reduction in revenue from the sales to franchise retail chain pharmacies due to the sluggish retail market.

The Group's revenue generated by the self-operated retail pharmacy segment was RMB8.3 million in 2015, representing a decrease of approximately 71.7% as compared to RMB29.4 million in 2014. The decrease in revenue was mainly attributed to the sluggish retail market and the re-arrangement and re-planning carried out for the long-term development of the self-operated retail pharmacy segment, including (i) the preparation for sale of Hebei Chun Sheng Tang Chain Store Co., Ltd. to concentrate resources in developing the retail pharmacy business in Sichuan; and (ii) the kickoff of plans to close down self-operated retail pharmacies in Chengdu and Wuhan which failed to meet the earnings targets upon assessment.

In 2015, the Group's revenue from the pharmaceutical manufacturing segment amounted to RMB119.6 million, representing an increase of approximately 7.9% from RMB110.8 million in 2014. The increase in revenue was mainly attributable to the reshuffle exercise on the sales team of the Group during 2015, where some staff members in the sales team who had been responsible for out-of-province distribution business were reassigned to specifically handle sale of pharmaceutical products manufactured by the Group in order to strengthen the sale of such products.

Development Prospects

China's economic environment was full of challenges and uncertainties in 2015, particularly in the second half of the year, and the deceleration in growth rate was significant as compared with the previous years. Nevertheless, looking ahead into 2016, the pharmaceutical industry is expected to be positively affected by national and local health reform policies. During the annual sessions of the National People's Congress and Chinese People's Political Consultative Conference which were just concluded, the Guiding Opinions on Promoting the Healthy Development of the Pharmaceutical Industry was officially released to the public by the State Council of China, which is a document carrying three big implications. These are a significantly positive news, a major policy and an important reform for the pharmaceutical industry. The Group should seize this opportunity and combine with its own advantages in actively seeking opportunities to reinforce the Group's market status and product positioning.

To support the development of its growing business, the Group will continue to implement the following business development strategies so as to maintain growth and achieve better returns under the leadership of an experienced and dedicated management team:

- Expand the breath and depth of our distribution networks;
- Accelerate the construction of international logistics center to enhance operational efficiency;
- Expand our chain stores in the Sichuan Province;
- Expand the scope of products including Chinese medicine materials; and
- Strengthen online and offline publicity and promotional activities to increase brand awareness.

Last but not least, I take this opportunity to express my gratitude to all our investors and employees for their support to the Group.

Chairman

Chen Yenfei

Hong Kong, 31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2015

		Year ended 31 December	
		2015	2014
	<i>Note</i>	RMB'000	RMB'000
Revenue	<i>3</i>	867,963	847,193
Cost of sales		<u>(702,698)</u>	<u>(665,126)</u>
Gross profit		165,265	182,067
Other revenue	<i>4</i>	22,534	20,672
Other net loss		(3,539)	(710)
Selling and distribution expenses		(25,569)	(36,468)
General and administrative expenses		<u>(78,118)</u>	<u>(46,729)</u>
Profit from operations		80,573	118,832
Finance costs	<i>5(a)</i>	(3,743)	(9,013)
Impairment on goodwill		(1,295)	(4,714)
Change in fair value on convertible redeemable preferred shares		<u>37,471</u>	<u>(33,236)</u>
Profit before taxation	<i>5</i>	113,006	71,869
Income tax	<i>6</i>	<u>(28,120)</u>	<u>(25,740)</u>
Profit for the year		<u>84,886</u>	<u>46,129</u>
Attributable to:			
Equity shareholders of the Company		88,257	45,944
Non-controlling interests		<u>(3,371)</u>	<u>185</u>
Profit for the year		<u>84,886</u>	<u>46,129</u>
Earnings per share (in RMB cents)	<i>8</i>		
Basic		<u>11.31</u>	<u>8.74</u>
Diluted		<u>5.74</u>	<u>8.74</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2015

	Year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	84,886	46,129
Other comprehensive income for the year, net of nil income tax		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities outside the PRC	<u>8,373</u>	<u>(5,929)</u>
Total comprehensive income for the year	<u>93,259</u>	<u>40,200</u>
Attributable to:		
Equity shareholders of the Company	96,630	40,015
Non-controlling interests	<u>(3,371)</u>	<u>185</u>
Total comprehensive income for the year	<u>93,259</u>	<u>40,200</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	<i>NOTES</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		59,451	80,905
Prepaid land lease payments		2,249	2,359
Goodwill		–	1,295
Intangible assets		814	6,024
Prepayments for intangible assets		29,000	20,000
Other non-current asset		94,895	22,177
Deferred tax assets		6,173	6,051
		<u>192,582</u>	<u>138,811</u>
CURRENT ASSETS			
Inventories		67,894	69,128
Financial assets at fair value through profit or loss		2,619	–
Trade and other receivables	<i>9</i>	411,794	363,799
Amount due from a Controlling Shareholder		–	675
Amount due from a related party		–	340
Pledged bank deposits		95,479	74,180
Cash and cash equivalents		116,334	67,059
		<u>694,120</u>	<u>575,181</u>
Assets of a disposal group classified as held-for-sale		<u>14,594</u>	<u>–</u>
		<u>708,714</u>	<u>575,181</u>
CURRENT LIABILITIES			
Trade and other payables	<i>10</i>	121,824	184,332
Bank borrowings		15,000	50,000
Convertible redeemable preferred shares		–	220,355
Amount due to a director		222	210
Amounts due to other related parties		35	232
Current taxation		13,346	13,472
		<u>150,427</u>	<u>468,601</u>
Liabilities of a disposal group classified as held-for-sale		<u>1,728</u>	<u>–</u>
		<u>152,155</u>	<u>468,601</u>
NET CURRENT ASSETS		<u>556,559</u>	<u>106,580</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>749,141</u>	<u>245,391</u>

	2015	2014
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	–	36,757
Deferred income – government grant	26,471	27,354
	<u>26,471</u>	<u>64,111</u>
NET ASSETS	<u>722,670</u>	<u>181,280</u>
CAPITAL AND RESERVES		
Share capital	801	1
Reserves	724,179	180,218
	<u>724,980</u>	<u>180,219</u>
Total equity attributable to equity shareholders of the Company	724,980	180,219
Non-controlling interests	<u>(2,310)</u>	<u>1,061</u>
TOTAL EQUITY	<u>722,670</u>	<u>181,280</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, 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 of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 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.

Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial assets at fair value through profit or loss; and
- convertible redeemable preferred shares.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to *HKFRSs 2010-2012 Cycle*
- Annual Improvements to *HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Employee benefits: Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. These amendments do not have an impact on the Group's financial statements as the Group did not have defined benefit plans for its employee.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

The principal activities of the Group are pharmaceutical distribution, self-operated retail pharmacies and manufacture of pharmaceutical products in the PRC.

Revenue represents the sales value of goods supplied to customers. The amount of each significant category of revenue is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Pharmaceutical distribution	740,092	707,053
Self-operated retail pharmacies	8,321	29,352
Pharmaceutical manufacturing	<u>119,550</u>	<u>110,788</u>
	<u><u>867,963</u></u>	<u><u>847,193</u></u>

b) Segment reporting

The Group manages its business by business lines and distribution channels in a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Pharmaceutical distribution: this segment generates revenue primarily from sales to (i) wholesalers, (ii) franchise retail pharmacy chain stores and (iii) hospitals and other medical institutions in rural areas.
- Self-operated retail pharmacies: this segment generates revenue primarily from sales of pharmaceutical and healthcare products, cosmetic products and daily necessities in self-operated retail pharmacies.
- Pharmaceutical manufacturing: this segment generates revenue primarily from sales of pharmaceutical products manufactured by the Group.

The Group's revenue and operating profit were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC for the years ended 31 December 2015 and 2014 and the principal assets employed by the Group were located in the PRC as at 31 December 2015 and 2014. Accordingly, no analysis by geographical information is provided for the years ended 31 December 2015 and 2014.

No analysis of the Group's assets and liabilities by operating segments was regularly provided to the chief operating decision maker for review during the year ended 31 December 2015 and 2014 for the purposes of resource allocation and performance assessment.

The Group's customer base is diversified, thus no single customer of the Group contributed 10% or more of the Group's revenue for the year ended 31 December 2015 and 2014.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

(i) Segment revenue and results

Segment information regarding the Group's revenue and results as provided to the chief operating decision makers for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2015 and 2014 is set out below.

Year ended 31 December 2015							
Pharmaceutical distribution							
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	493,893	149,763	96,436	740,092	8,321	119,550	867,963
Inter-segment revenue	-	1,308	-	1,308	-	4,311	5,619
Reportable segment revenue	<u>493,893</u>	<u>151,071</u>	<u>96,436</u>	<u>741,400</u>	<u>8,321</u>	<u>123,861</u>	<u>873,582</u>
Reportable segment profit	<u>20,155</u>	<u>47,237</u>	<u>20,056</u>	<u>87,448</u>	<u>2,191</u>	<u>75,847</u>	<u>165,486</u>
Other segment information							
Depreciation and amortisation	-	-	-	-	-	493	493
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>493</u>	<u>493</u>
Year ended 31 December 2014							
Pharmaceutical distribution							
	Sales to wholesalers RMB'000	Sales to franchise retail pharmacy chain stores RMB'000	Sales to hospitals and other medical institutions in rural areas RMB'000	Sub-total RMB'000	Self-operated retail pharmacies RMB'000	Pharmaceutical manufacturing RMB'000	Total RMB'000
Revenue from external customers	446,018	173,189	87,846	707,053	29,352	110,788	847,193
Inter-segment revenue	-	6,524	-	6,524	-	22,136	28,660
Reportable segment revenue	<u>446,018</u>	<u>179,713</u>	<u>87,846</u>	<u>713,577</u>	<u>29,352</u>	<u>132,924</u>	<u>875,853</u>
Reportable segment profit	<u>20,951</u>	<u>55,634</u>	<u>13,675</u>	<u>90,260</u>	<u>9,504</u>	<u>82,624</u>	<u>182,388</u>
Other segment information							
Depreciation and amortisation	-	-	-	-	-	520	520
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520</u>	<u>520</u>

(ii) *Reconciliations of reportable segment revenues and profit or loss and other items*

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Reportable segment revenue	873,582	875,853
Elimination of inter-segment revenue	<u>(5,619)</u>	<u>(28,660)</u>
Consolidated revenue	<u>867,963</u>	<u>847,193</u>
Profit		
Reportable segment profit	165,486	182,388
Elimination of inter-segment profits	<u>(221)</u>	<u>(321)</u>
Reportable segment profit derived from external customers	165,265	182,067
Other revenue	22,534	20,672
Other net loss	(3,539)	(710)
Selling and distribution expenses	(25,569)	(36,468)
General and administrative expenses	(78,118)	(46,729)
Finance costs	(3,743)	(9,013)
Change in fair value on convertible redeemable preferred shares	37,471	(33,236)
Impairment on goodwill	<u>(1,295)</u>	<u>(4,714)</u>
Consolidated profit before taxation	<u>113,006</u>	<u>71,869</u>
Other items		
Depreciation and amortisation		
Reportable segment total	493	520
Unallocated total	<u>9,210</u>	<u>9,576</u>
Consolidated total	<u>9,703</u>	<u>10,096</u>

4. OTHER REVENUE AND OTHER NET LOSS

a) Other revenue

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Franchise fee	17,414	13,812
Bank interest income	2,182	1,715
Rental income	465	1,317
Deferred income – government grant	883	882
Others	1,590	2,946
	<u>22,534</u>	<u>20,672</u>

b) Other net loss

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	(1,852)	(1,992)
Reversal of impairment of trade receivables	–	1,239
Recovery of other receivables wrote off in prior years	66	43
Net foreign exchange loss	(1,753)	–
	<u>(3,539)</u>	<u>(710)</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

a) Finance costs

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	2,721	4,820
Bills charges	505	3,642
Other bank charges	517	551
	<u>3,743</u>	<u>9,013</u>

b) Staff costs (including directors' emoluments)

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Salaries, wages and other benefits	21,906	20,802
Contributions to defined contribution retirement plans	<u>3,919</u>	<u>3,710</u>
	<u><u>25,825</u></u>	<u><u>24,512</u></u>

c) Other items

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Amortisation of intangible assets	576	619
Amortisation of prepaid land lease payments	110	109
Depreciation of property, plant and equipment	9,017	9,368
Auditors' remuneration	1,542	2,416
Operating lease charges in respect of property rentals	8,243	11,963
Impairment loss /(reversal of impairment loss) of trade receivables	8,953	(1,239)
Write off of other receivables	16,047	1,093
Impairment loss on goodwill	1,295	4,714
Cost of inventories (<i>note i</i>)	<u><u>702,698</u></u>	<u><u>665,126</u></u>

- (i) Cost of inventories for the year ended 31 December 2015 include RMB1,513,000 (2014: RMB1,622,000), relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above.

6. INCOME TAX

a) Income tax in the consolidated statement of profit or loss represents:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current tax – PRC Corporation Income Tax		
Provision for the year	28,242	26,624
Deferred tax		
Origination and reversal of temporary differences	<u>(122)</u>	<u>(884)</u>
	<u>28,120</u>	<u>25,740</u>

- (i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.
- (ii) Pursuant to rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (iii) No Hong Kong Profits Tax for the two years ended 31 December 2015 and 2014 have been provided for in the consolidated statement of profit or loss as the Group has no estimated assessable profits arising in Hong Kong during the years.
- (iv) The Group's PRC subsidiaries are subject to PRC Corporate Income Tax at the statutory rate of 25%.

Toyot Pa Shun Medicine Factory Company Limited (“**Toyot Pa Shun**”), a wholly-owned subsidiary of the Group, applied for preferential income tax treatment under the Notice on the Issues of Tax Policies for Thorough Implementation of Western Development Strategy. Toyot Pa Shun obtained the approval from local tax authority and entitled to a preferential income tax rate of 15% from 1 January 2011 to 31 December 2020.

7. DIVIDEND

The directors recommend the payment of a final dividend of HKD3.0 cents per share for the year ended 31 December 2015 (2014: nil cents per share). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the profit attributable to ordinary equity shareholders of the Company of RMB88,257,000 (year ended 31 December 2014: RMB45,944,000) and the weighted average number of approximately 780,319,000 ordinary shares (2014: approximately 525,542,000 shares).

The weighted average number of ordinary shares in issue during the year ended 31 December 2015 is based on the assumption that 525,542,000 ordinary shares of the Company were in issue, comprising 703,000 ordinary shares in issue and 524,839,000 ordinary shares issued pursuant to the capitalization issue, as if these shares were outstanding throughout the period from 1 January 2015 to the date of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 June 2015 ("Date of Listing"), and 224,458,000 ordinary shares issued upon the conversion of Series A convertible redeemable preferred shares and Series B convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue) on the Date of Listing, and 250,000,000 ordinary shares issued by the way of an initial public offering (the "IPO").

The weighted average number of ordinary shares in issue during the year ended 31 December 2014 is based on the assumption that 525,542,000 ordinary shares of the Company were in issue, comprising 703,000 ordinary shares in issue and 524,839,000 ordinary shares issued pursuant to the capitalization issue, as if these shares were outstanding throughout the year ended 31 December 2014.

	2015 '000	2014 '000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	703	703
Effect of capitalisation issue	524,839	524,839
Effect of issuance of new shares under the IPO	134,246	–
Effect of conversion of Series A convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue)	103,617	–
Effect of conversion of Series B convertible redeemable preferred shares to ordinary shares (adjusted for the capitalization issue)	16,914	–
Weighted average number of ordinary shares at 31 December	<u>780,319</u>	<u>525,542</u>

b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2015 and 2014 is based on the profit attributable to ordinary equity shareholders of the Company of RMB50,786,000 and RMB45,944,000 and the weighted average number of ordinary shares of approximately 884,246,000 and 525,542,000 shares, respectively, in issue during each reporting period, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2015	2014
	RMB'000	RMB'000
Profit attributable to ordinary equity shareholders of the Company	88,257	45,944
After tax effect of change in fair value on convertible redeemable preferred shares	<u>(37,471)</u>	<u>–</u>
Profit attributable to ordinary equity shareholders of the Company (diluted)	<u>50,786</u>	<u>45,944</u>

(ii) Weighted average number of ordinary shares (diluted)

	2015	2014
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of ordinary shares	780,319	525,542
Effect of conversion of Series A convertible redeemable preferred shares (adjusted for the capitalization issue)	89,343	–
Effect of conversion of Series B convertible redeemable preferred shares (adjusted for the capitalization issue)	<u>14,584</u>	<u>–</u>
Weighted average number of ordinary shares (diluted)	<u>884,246</u>	<u>525,542</u>

For the year ended 31 December 2014, diluted earnings per share is the same as basic earnings per share because the effect of conversion of the Company's outstanding convertible redeemable preferred shares during the reporting period was anti-dilutive. Accordingly, they were not included in the calculation of diluted earnings per share in the period.

9. TRADE AND OTHER RECEIVABLES

Ageing analysis of trade receivables and commercial bills receivables

As of the end of the reporting period, the ageing analysis of trade receivables and commercial bills receivables (which are included in trade and other receivables), based on the date of revenue recognition and net of allowance for doubtful debts, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 1 month	88,896	80,229
1 to 3 months	108,512	98,686
4 to 6 months	62,231	41,791
Over 6 months	<u>14,222</u>	<u>9,103</u>
Trade receivables and commercial bills receivables, net of allowance for doubtful debts	<u><u>273,861</u></u>	<u><u>229,809</u></u>

Trade receivables and commercial bills receivables are due within 180 days from the date of billing.

10. TRADE AND OTHER PAYABLES

As of the end of each reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 1 month	13,915	11,184
1 to 3 months	4,812	4,231
Over 3 months	<u>18,296</u>	<u>13,202</u>
	<u><u>37,023</u></u>	<u><u>28,617</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2015, the Group recorded a total revenue of RMB868.0 million, representing an increase of approximately 2.5% from RMB847.2 million for the year ended 31 December 2014. This increase was primarily due to growth in revenue from the Group's pharmaceutical distribution and pharmaceutical manufacturing segments, offset by the decrease in revenue from the Group's self-operated retail pharmacies segment.

Cost of Sales, Gross Profit and Gross Margin

The Group's cost of sales increased by approximately 5.6% from RMB665.1 million for the year ended 31 December 2014 to RMB702.7 million for the year ended 31 December 2015. This increase was primarily due to increases in cost of sales for the Group's pharmaceutical distribution segment.

The Group's gross profit decreased by approximately 9.2% from RMB182.1 million for the year ended 31 December 2014 to RMB165.3 million for the year ended 31 December 2015. The Group's gross margin decreased from 21.5% for the year ended 31 December 2014 to 19.0% for the year ended 31 December 2015. Such decrease is primarily attributable to the higher contribution on revenue from the pharmaceutical distribution segment which had a lower margin than other segments.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 29.9% from RMB36.5 million for the year ended 31 December 2014 to RMB25.6 million for the year ended 31 December 2015. This decrease was primarily due to a decrease in rent and management fees and business promotion expenses due to the closure for some of the Group's retail pharmacy stores, which were partially offset by an increase in salary and welfare benefits due to the increase in the number of pharmacists employed by the Group and an increase in depreciation and amortization expenses in relation to the implementation of the "Remote Prescription Review" system. Upon installation of this system, one pharmacist is able to oversee 25 stores at the same time and provide prescription review and consulting services to end consumers at those stores, which the Group believes will enhance the operational efficiency of the Group's retail pharmacy stores.

General and Administrative Expenses

The Group's general and administrative expenses increased by approximately 67.2% from RMB46.7 million for the year ended 31 December 2014 to RMB78.1 million for the year ended 31 December 2015. This increase was primarily due to an increase in the professional and audit fees in connection with the listing of the shares of the Company on The Stock Exchange, an increase in impairment loss of trade receivables from customers that were in financial difficulties, and an increased in write-off of other receivables, including those in relation to the planned disposal of Hebei Chun Sheng Tang Chain Store Co., Ltd.

Other Revenue

Other revenue increased by 9% from RMB20.7 million for the year ended 31 December 2014 to RMB22.5 million for the year ended 31 December 2015. This increase was primarily due to (i) the increase in franchise fees as a result of the implementation of the "Remote Prescription Review" system and the increase in the total number of franchise retail pharmacies stores under the brand of the Group; and (ii) the increase in the Group's bank interest income from subscription funds during the IPO of the Company.

Profit from Operations and Operating Margin

As a result of the foregoing, the Group's profit from operations decreased by approximately 32.2% from RMB118.8 million for the year ended 31 December 2014 to RMB80.6 million for the year ended 31 December 2015. The Group's operating margin decreased from 14.0% for the year ended 31 December 2014 to 9.3% for the year ended 31 December 2015.

Finance Costs

Finance costs decreased by approximately 58.5% from RMB9.0 million for the year ended 31 December 2014 to RMB3.7 million for the year ended 31 December 2015. This decrease was primarily due to the decrease in bills charges resulting from discount costs relating to the bills receivable of the Group and the decrease in interest expense relating to less bank borrowings.

Change in Fair Value on Convertible Redeemable Preferred Shares

The Company had fair value loss of convertible redeemable preferred shares of RMB33.2 million for the year ended 31 December 2014 due to the increase in the equity value of the Company. Upon the completion of the IPO in June 2015, the Company's convertible redeemable preferred shares were automatically converted into our ordinary shares on a one-to-one basis, resulting in a fair value gain of RMB37.5 million for the year ended 31 December 2015. There will be no fair value gain or loss associated with the said convertible redeemable preferred shares for any financial period after the Date of Listing.

Profit before Taxation

Profit before income tax increased by approximately 57.2% from RMB71.9 million for the year ended 31 December 2014 to RMB113.0 million for the year ended 31 December 2015. This increase was primarily due to the significant gain from the change in fair value on convertible redeemable preferred shares and a decrease in the finance costs of the Group.

Income Tax Expense

Income tax expense increased by 9.3% from RMB25.7 million for the year ended 31 December 2014 to RMB28.1 million for the year ended 31 December 2015. This increase was primarily due to the increase in taxable income from the PRC subsidiaries of the Company.

Profit for the Year and Net Profit Margin

As a result of the foregoing, the Group's profit for the year increased by approximately 84% from RMB46.1 million for the year ended 31 December 2014 to RMB84.9 million for the year ended 31 December 2015. The Group's net profit margin increased from 5.4% for the year ended 31 December 2014 to 9.8% for the year ended 31 December 2015.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

The Group had total cash and cash equivalents of RMB116.3 million as at 31 December 2015 as compared to RMB67.1 million as at 31 December 2014.

The Group recorded net current assets of RMB556.6 million and RMB106.6 million as at 31 December 2015 and 31 December 2014 respectively. The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was 4.66 as at 31 December 2015, as compared to 1.23 as at 31 December 2014.

As at 31 December 2015, the total amount of bank loans was RMB15.0 million, as compared to RMB50.0 million as at 31 December 2014.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE RISKS

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from the IPO is still in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations of the Renminbi and the Hong Kong dollar. Apart from the above, most of the assets and transactions of the Group are dominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated in Renminbi, thus the Group is not exposed to any significant foreign exchange risks.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2015, the Group did not make any significant investments, acquisitions or disposals.

HUMAN RESOURCES

As at 31 December 2015, the Group had a total of 315 staff, primarily in the PRC. The total staff cost was RMB21.9 million for the year ended 31 December 2015.

The Group believes its human resources are its valuable assets and maintains its firm commitment to attracting, developing and retaining talented employees, in addition to providing dynamic career opportunities and cultivating a favorable working environment. The Group constantly invests in training across diverse operational functions and offers competitive remuneration packages and incentives to all employees. The Group regularly reviews its human resources policies for addressing corporate development needs.

USE OF PROCEEDS FROM LISTING

The Shares were listed on the main board of the Stock Exchange on 19 June 2015 with net proceeds (“**Net Proceeds**”) from the global offering of approximately HK\$249.5 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 9 June 2015 (the “**Prospectus**”). As at 31 December 2015, the Group had utilised HK\$81.7 million of the Net Proceeds and unutilised Net Proceeds amounted to HK\$167.8 million.

The following table sets forth a breakdown of the use of net proceeds during the financial year:

Use of net proceeds	Available to use <i>HK\$ million</i>	Utilised (as at 31 December 2015) <i>HK\$ million</i>	Unutilised (as at 31 December 2015) <i>HK\$ million</i>
Logistics center and related expenses	121.3	27.7	93.5
Acquisition or establishment of self-operated retail pharmacy stores	116.2	42.0 [#]	74.3
Working capital and other general corporate purposes	12.0	12.0	–
	<u>249.5</u>	<u>81.7</u>	<u>167.8</u>

[#] Deposit made for acquisition which was refunded in March 2016 due to cancellation of the proposed transaction.

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China and Hong Kong. The directors of the Company intended to continue to apply the unused proceeds in the manner as set out in the Prospectus.

DIVIDEND

The Board has proposed a final dividend of HKD3.0 cents per share for the financial year ended 31 December 2015.

The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on 23 May 2016. It is conditional upon the passing of the resolution relating to the final dividend by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 11 May 2016 (“AGM”).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders’ right to attend and vote at the forthcoming AGM:

Latest time to lodge transfers	4:00 p.m. on 5 May 2016 (Thursday)
Closure dates of Register of Members (both days inclusive)	6 May 2016 (Friday) to 11 May 2016 (Wednesday)
Record date	11 May 2016 (Wednesday)
AGM	11 May 2016 (Wednesday)

For ascertaining shareholders’ entitlement to the proposed final dividend#:

Latest time to lodge transfers	4:00 p.m. on 17 May 2016 (Tuesday)
Closure date of Register of Members (both days inclusive)	18 May 2016 (Wednesday) to 23 May 2016 (Monday)
Record date	23 May 2016 (Monday)
Proposed final dividend payment date	13 June 2016 (Wednesday)

(# subject to shareholders’ approval at the AGM)

During the periods of the closure of Register of Members, no share transfers will be registered. For registration, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrars in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

CORPORATE GOVERNANCE

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Code Provisions set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. From the Date of Listing on the Stock Exchange and up to the date of this announcement, the Company has complied with the code provisions set out in the CG Code, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Chen Yenfei is the chairman and chief executive officer of the Group. He has extensive experience in medicine industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and our senior management, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors, two non-executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee include (but without limitation) assisting the Board to provide an independent review and supervision of the Group's financial and accounting policies, to oversee the financial control, internal control and risk management systems of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The Audit Committee comprises three independent non-executive directors of the Company, namely, Mr. Liu Liangzhong, Mr. Min Feng and Mr. Wong Tak Shing. The chairman of the Audit Committee is Mr. Liu Liangzhong who has appropriate professional qualifications. The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group, and discussed the internal controls and financial reporting matters, including a review of the annual financial information for the year ended 31 December 2015.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

All directors have confirmed that they complied with the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules throughout the reporting period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

By order of the Board of Directors
Pa Shun Pharmaceutical International Holdings Limited
Mr. Chen Yenfei
陳燕飛
Chairman

Hong Kong, 31 March 2016

As at the date of this announcement, the executive Directors are Mr. Chen Yenfei, Mr. Shen Shun and Mr. Zhou Jian; the non-executive Directors are Mr. Li Ho Tan and Mr. Masahiro Honna; and the independent non-executive Directors are Mr. Liu Liangzhong, Mr. Wong Tak Shing and Mr. Min Feng.

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.pashun.cn under the section of “Investor Relations/HKEx Filings” respectively. The annual report of the Company for the year ended 31 December 2015 will be dispatched to the shareholders of the Company and will be available on the same websites in due course.