The United Laboratories International Holdings Limited
聯邦制藥國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3933)

2014 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	2014 *HK$'000*	2013 *HK$'000*	**Increase / (decrease) %**
Turnover	**8,029,835**	7,648,443	**5.0%**
EBITDA	**1,748,700**	1,677,049	**4.3%**
Profit before taxation	**663,546**	901,348	**(26.4%)**
Profit for the year attributable to owners of the Company	**681,076**	48,037	**1,317.8%**
Earnings per share			
Basic	**HK41.86cents**	HK2.95cents	**1,319.0%**
Diluted	**HK41.86cents**	HK2.95cents	**1,319.0%**

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of The United Laboratories International Holdings Limited (the "Company"), I hereby present to all shareholders the annual results of the Company and its subsidiaries (collectively the "Group" or "United Laboratories") for the year ended 31 December 2014.

In 2014, global economy was uncertain. The American economy presented a slow recovery and would step into a cycle of interest rate increases soon. The European economy remained unstable and relied on the support of easing monetary policies. The Chinese economy entered into a new normal stage of restructuring with its growth steadily slowing down, but population ageing accelerated, and residents' consciousness for medical and healthcare increased significantly. Therefore, the proportion of consumption and the service industry in the economy still rose. Mr. Li Keqiang, Premier of the State Council, chaired and convened a standing committee meeting of the State Council on 19 January 2015, to promote reform of the pharmaceutical and healthcare system with focus on improvement of the universal medical insurance system and consolidation of the essential medicine system and its application at grass-roots level while the government would continue to energetically support purchases of drugs and medical equipments by hospitals or other medical clinics. With constantly rising per capita income of domestic residents, the trend of national economic development and population ageing, improved living standard and larger medical insurance coverage, market demand for medical and healthcare also leverages significantly, driving the pharmaceutical industry to grow rapidly over the past several years, which would be propulsion for future growth. The overall operating environment of the Group was continuingly improved.

During the year under review, United Laboratories capitalised on its leading position in the industry and earnestly improved its core capacity, sought for opportunities amidst such a changing situation, with a view to realizing consistent growth of business. During the year, the Group's turnover amounted to approximately HK$8,029.8 million, an increase of 5.0% over that of 2013. EBITDA and profit before taxation were approximately HK$1,748.7 million and HK$663.5 million respectively, representing an increase of 4.3% and decrease of 26.4% over last year, respectively. The profit attributable to owners of the Company was approximately HK$681.1 million, representing an increase of 1,317.8% over last year. Earnings per share amounted to HK41.86 cents. The increase in profit was mainly as the overall gross profit margin was improved due to increase in selling prices of intermediate and bulk medicine products, and decrease in unit production costs through new production capacity being steadily released and the production technology of enzymatic bulk amoxicillin being mature of the Inner Mongolian's plant; and in light of the cessation of operations of the Chengdu production plant of the Group, a financial subsidy of approximately HK$390.7 million was granted to United Laboratories (Chengdu), a wholly-owned subsidiary of the Group by the Pengzhou Information Technology Bureau while a compensation of approximately HK$609.1 million was paid by United Laboratories (Chengdu) for changing the use of the land since United Laboratories (Chengdu), a wholly-owned subsidiary of the Company, and the Pengzhou Land Bureau executed contracts to change the use of a land.

The Board does not recommend payment of final dividend for the year ended 31 December 2014.

During the year, the Group recorded steady increase in sales. As the demand for antibiotics became more stable, the selling price of 6-APA, an intermediate product, grew steadily. The price of corn, a primary raw material of our intermediate product, remained stable during the year, effectively maintaining production costs of products. Phase V of the Group's Inner Mongolia plant commenced production during the year. With the Group actively researching and implementing enzymatic amoxicillin production technologies in new production capacities, vertical integration was further strengthened, thus effectively lowering production costs. The re-allocation of the Chengdu 6-APA production line was successfully completed and had already been integrated into the Inner Mongolia factories which helped the Group in optimising resource allocation to achieve higher cost efficiency.

For finished products, the promotion and bidding work of recombinant human insulin injection products went on smoothly. Leveraging on our advantages in sales teams deployed and services provided to basic medical institutions, the Group received orders from private hospitals, clinics of all levels and pharmacies during the year, with sales being especially prominent in Shandong, Henan, Liaoning, Jilin and Fujian provinces. During the year under review, sales revenue from recombinant human insulin products successfully achieved sales targets set at the beginning of the year.

After the Fourth Plenary Session of the 18th Central Committee of the Communist Party of China, new medical reform, guided by the banner of marketisation, is carried out steadily with a more defined focus. Auxiliary work is adjusted continuously and new policies are introduced, so as to support new medical reform. Important adjustments were also made to the national pharmaceutical policy, an important component of new medical reform in the past two years. Extensive explorations on centralised pharmaceutical procurement were carried out in every province. Taking the centralised pharmaceutical procurement in Hunan province for an example, under the pressure of a new round of price cut of drugs, the Group forged ahead, and 40 pharmaceutical products including recombinant human insulin product and memantine hydrochloride product, which is used for the treatment of Alzheimer's Disease were included in the proposed bidding results, during which our main products such as recombinant human insulin product and memantine hydrochloride product maintained a good price trend. Moreover, the Group will promote the growth of product sales more positively. It is expected that 2015 is a year of centralized pharmaceutical procurement, and the centralized procurement of various pharmaceutical products will be carried out successively during the Year. The encouraging result of winning the tender of Hunan province indicates that 2015 will be a fruitful year for the bidding work of United Laboratories' pharmaceutical products.

The Group continued to strengthen its research and development of bio-pharmaceutical products. The Group has applied to process pre-approval inspection of registered production site for Insulin glargine (third generation insulin), and it is expected that the Group will obtain the production approval documents for Insulin glargine (third generation insulin) and put it into production during the Year. Clinical trial for insulin aspart (third generation insulin) 30 injection products was completed successfully at the end of 2014, and we are currently preparing to apply for the production approval, which further promotes the optimization of the Group's insulin product line.

Moreover, the Group actively expanded the market for our new memantine hydrochloride, which is used for the treatment of Alzheimer's disease by introducing oral solutions and tablets in line with the market demand. The Group will strive to develop new dosage forms and specifications for memantine hydrochloride, so as to capture more market shares and continue to broaden the relevant market and develop relevant new products with increasing sales contributions, thus expand our finished products business. For new products, levetiracetam (which is classified under class 3.1 of State Class New Medicine and is used for the treatment of epilepsy) successfully passed the inspection of registered production site for drugs at the beginning of 2015. It is expected that United Laboratories will become the fourth company in China which is approved to manufacture such product, and more patients will benefit from this. The Group possesses a strong sales team with nearly 3,000 employees, effectively shortening the time for new products to enter the market and also provides the strongest driving force for the Group's new products on the market. The Group is currently developing 56 new products. As at 31 December 2014, 2 production approval documents and 2 documents for clinical trials have been obtained, 16 patents have been granted, while 9 patent applications are currently under review.

For overseas sales, the Group focused on expanding its export sales and overseas business progressed smoothly with export sales continuing to bring satisfactory contributions to the Group. Since 2013, all drugs imported into the EU must be produced by factories with EU or GMP certification. The Group has already obtained EU-CEP certification, FDA certification, official certification from Mexico and GMP certification from Japan and certification from Russia and India. Leveraging on our internationally approved production capabilities and products possessing significant price advantage. Although the Group's overseas sales had a slightly decrease of around 2.8% in 2014 due to unstable global economy, export sales of the Group with a promising prospect are expected to be one of the drivers for future profitability.

For financial strategy, the Group seized market opportunities and optimised the financial structure during the year through measures such as three-year financing leases to ensure adequate working capital. In January 2015, the Company as borrower entered into two additional facility agreements with China Development Bank Corporation Hong Kong Branch for a HK$300 million guaranteed term-loan facility and a HK$300 million unsecured term-loan facility respectively. Besides, the Group and AYERS Alliance Securities (HK) Limited entered into a placing agreement in January 2015, pursuant to which the Company established a bond issue programme for the issuance from time to time, of bonds with a term of three years in an aggregate principal amount of up to HK$1 billion. The purpose of establishing the bond issue programme is to enhance the Company's flexibility and efficiency for future funding or capital management.

On 24 April 2014, the amendment to the Environmental Protection Law was adopted by the Standing Committee of the National People's Congress ("NPCSC"), and the new Environmental Protection Law came into force in 2015. As a giant in the PRC pharmaceutical industry, United Laboratories continued to be committed to promoting environmental protection.

According to the report of Frost & Sullivan, the compound annual growth rate of China's pharmaceutical market for 2014 to 2017 will be 16%. In addition, the Ministry of Health of the PRC recently pointed out a total of RMB400 billion will be used in the seven major medical system projects before 2020 with an average annual investment amount of RMB50 billion, and expected expenses relating to medical to be in an upward trend in future. On the other hand, with the Chinese government's increasingly stringent regulation on the industry, integration of the industry will be accelerated. Under such operation circumstance, the Group, leveraging its advantages as one of the top players in the industry, is anticipated to benefit from the integration of the industry.

Looking forward, with the further enrichment of its insulin product line, profitability of the United Laboratories is expected to be further enhanced. Through active development of new products and constant technological innovation, the Company progressively increased the proportion of sales attributable to finished products and significantly extended the cost advantage of antibiotics products, as a result, the Company's profitability got gradually enhanced and product structure further enriched. For new production capacities, phase V of the Inner Mongolia plant has commenced full operation. Not only does the expansion of production capacity lower production cost and raise efficiency, it is also expected that planned production capacity can meet future development needs to effectively accommodate the rate of expansion of the export and domestic markets. Overall gross profit of the Group will be improved due to the further decrease in production costs resulting from the commencement of full operation of the Inner Mongolia plant, which enables us to drive on the advantages lying in the production efficiency of integrated production, and its production technology of enzymatic bulk amoxicillin being mature.

In the future, the Group shall continue to implement its existing business development strategies. We will strengthen penetration in rural market and grass-roots level medical organizations in China by making good use of our competitive price advantage as well as the extensive sales networks, and put great efforts to increase overseas sales, and actively explore new markets with growth potentials. The Group will continue to bring its cutting edge in research and development into play to develop products with high margin and demand. At the same time, we will continue to regard the recombinant human insulin products as the key product of the Group and invest substantial resources to capture a larger market share. We will consider promoting the sales of related products to overseas markets as the Group's recombinant human insulin products have reached international standards in terms of quality and production technology. Also, the Group will focus on expanding the sale of OTC products, Chinese medicine and health products, driving the growth of finished products.

Leveraging on the Group's advantages in economies of scale, we are confident that we can seize market opportunities, accelerate the cultivation of innovation ability and reinforce our scientific research ability by taking advantage of the great opportunity of industrial transformation and upgrading, and maintain the Group's sustainable growth momentum, hence creating the highest value for our shareholders, clients and stakeholders.

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers and business partners for their full trust and support during the past year, as well as all staff for their persistent efforts. I hope we can join hands and create a better future together.

2014 ANNUAL RESULTS

The Board of the Company hereby announces the consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures for the year 2013 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Turnover	4	**8,029,835**	7,648,443
Cost of sales		**(4,801,444)**	(5,010,782)
Gross profit		**3,228,391**	2,637,661
Other income	5	**509,151**	78,253
Other gains and losses	6a	**(10,079)**	14,573
Selling and distribution expenses		**(1,252,067)**	(1,231,296)
Administrative expenses		**(719,065)**	(556,073)
Other expenses	6b	**(291,839)**	(387,146)
Impairment loss recognised in respect of property, plant and equipment		**(110,064)**	(808,363)
(Loss) gain on fair value change on investment properties		**(315,730)**	1,355,261
Loss on fair value change of embedded derivative components of convertible bonds		**(3,191)**	(376)
Finance costs	7	**(371,961)**	(201,146)
Profit before taxation		**663,546**	901,348
Tax credit (expenses)	8	**17,530**	(853,311)
Profit for the year attributable to owners of the Company	9	**681,076**	48,037
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(193,788)**	217,135
Fair value change upon transfer of land use rights to investment properties		**-**	318,852
Taxation relating to fair value change upon transfer of land use rights to investment properties		**-**	(196,884)
Total comprehensive income for the year attributable to owners of the Company		**487,288**	387,140
Earnings per share	11		
Basic		**HK41.86cents**	HK2.95cents
Diluted		**HK41.86cents**	HK2.95cents

Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Non-current assets			
Property, plant and equipment	12	**9,616,785**	9,807,079
Investment properties		**1,634,245**	2,320,316
Properties held for development		**318,707**	-
Prepaid lease payments		**268,271**	114,275
Goodwill		**3,777**	3,866
Intangible assets		**54,517**	60,674
Deposit for land use rights		**7,602**	169,094
Deposits for acquisition of property, plant and machinery		**186,572**	464,635
Pledged deposit against finance leases		**162,019**	100,772
Deferred tax asset		**41,929**	17,911
		12,294,424	13,058,622
Current assets			
Inventories		**1,417,886**	1,271,855
Trade and bills receivables, other receivables, deposits and prepayments	13	**2,981,580**	3,290,653
Derivative financial instruments		**227**	7,917
Prepaid lease payments		**6,307**	3,632
Pledged bank deposits		**1,214,683**	886,824
Bank balances and cash		**1,003,079**	1,080,713
		6,623,762	6,541,594
Current liabilities			
Trade and bills payables and accrued charges	14	**3,570,047**	4,274,793
Derivative financial instruments		**27,590**	7,364
Obligations under finance leases - due within one year		**696,019**	549,357
Tax payables		**62,831**	32,870
Borrowings - due within one year		**4,557,651**	4,998,359
		8,914,138	9,862,743
Net current liabilities		**(2,290,376)**	(3,321,149)
Total assets less current liabilities		**10,004,048**	9,737,473

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current liabilities			
Deferred tax liabilities		**768,120**	983,132
Deferred income in respect of government grants	14	**103,315**	107,271
Obligations under finance leases - due after one year		**704,960**	669,145
Borrowings - due after one year		**1,335,013**	1,381,240
Convertible bonds		**123,523**	114,856
		3,034,931	3,255,644
		6,969,117	6,481,829
Capital and reserves			
Share Capital	15	**16,269**	16,269
Reserves		**6,952,848**	6,465,560
Equity attributable to owners of the Company		**6,969,117**	6,481,829

Notes:

1. General

The Company is a limited company incorporated in the Cayman Islands. The Company's parent company and ultimate holding company is Heren Far East Limited and Gesell Holdings Limited, which is controlled by Choy's Family Trust respectively, both are companies incorporated in the British Virgin Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its place of business is located at 6 Fuk Wang Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong.

The functional currency of the Company and its subsidiaries (the "Group") in the People's Republic of China (the "PRC") is Renminbi ("RMB"). The consolidated financial statements of the Group are presented in Hong Kong dollars because the Company is a public company with the shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and a majority of its investors are based in Hong Kong and therefore, the directors consider that Hong Kong dollars is a preferred currency to be used in presenting the operating results and financial position of the Group.

2. Basis of preparation of consolidated financial statements

As at 31 December 2014, the Group had net current liabilities of HK$2,290,376,000 which included borrowings due within one year of HK$4,557,651,000. The directors of the Company believe the existing bank borrowings included in current liabilities at the end of the reporting period could be successfully renewed on maturity date based on prior experiences. In addition, the Group had available unutilised borrowing facilities of HK$6,635,120,000 at 31 December 2014 which can be utilised before maturity of the facilities and will be subject to review upon maturity. The directors of the Company are of the opinion that the Group has a good track record and maintains good relationship with banks which enhance the Group's ability to renew the borrowing facilities upon expiry.

In view of these circumstances, the directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Taking into account the Group's cash flow projection, including the Group's unutilised bank facilities, ability to renew or refinance the banking facilities upon maturity and the Group's future capital expenditure in respect of its non-cancellable capital commitments, the directors of the Company consider that it has sufficient working capital to meet in full its financial obligations as they fall due for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Application of new and revised Hong Kong Financial Reporting Standards

For the purpose of preparing and presenting the consolidated financial statements, the Group has adopted the amended Hong Kong Accounting Standards ("HKASs"), Hong Kong Financial Reporting Standards ("HKFRSs"), and interpretations ("HK(IFRIC) - Int"), for the first time in this year, which are mandatorily effective for the accounting period beginning on 1 January 2014.

The application of the amended HKFRSs and interpretation in the current year has had no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early adopted the following new and revised standards, amendments and interpretations that have been issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") but are not yet effective:

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 1	Disclosure Initative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[4]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2018

Other than HKFRS 15 disclosed below, the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations will have no material impact on the Group.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

4. Turnover and segment information

Turnover

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

	2014	2013
	HK$'000	*HK$'000*
Sales of pharmaceutical products	**8,029,835**	7,648,443

Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the “CODM”) (i.e. executive directors of the Company) for the purpose of allocating resources to segments and assessing their performance.

The Group is currently organised into three revenue streams - (i) sale of intermediate products ("Intermediate products"); (ii) sale of bulk medicine ("Bulk medicine"); and (iii) sale of antibiotics finished products, non-antibiotics finished products and capsule casings (together "Finished products"). These three revenue streams are the operating and reportable segments of the Group on which the Group reports its primary segment information.

(a) Segment turnover and results:

Year ended 31 December 2014

	Intermediate products	Bulk medicine	Finished products	Segment total	Elimination	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER						
External sales	**1,357,381**	**3,940,056**	**2,732,398**	**8,029,835**	**-**	**8,029,835**
Inter-segment sales	**1,935,420**	**418,945**	**-**	**2,354,365**	**(2,354,365)**	**-**
	3,292,801	**4,359,001**	**2,732,398**	**10,384,200**	**(2,354,365)**	**8,029,835**
RESULTS						
Segment profit	**209,858**	**330,871**	**634,823**			**1,175,552**
Unrealised profit elimination	**(20,135)**	**(25,747)**	**(13,901)**			**(59,783)**
	189,723	**305,124**	**620,922**			**1,115,769**
Unallocated other income						**454,133**
Unallocated corporate expenses						**(95,331)**
Other gains and losses						**(10,079)**
Impairment loss recognised in respect of property, plant and equipment						**(110,064)**
Loss on fair value change of embedded derivative components of convertible bonds						**(3,191)**
Loss on fair value change on investment properties						**(315,730)**
Finance costs						**(371,961)**
Profit before taxation						**663,546**

Year ended 31 December 2013

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
TURNOVER						
External sales	1,652,920	3,466,638	2,528,885	7,648,443	-	7,648,443
Inter-segment sales	1,718,358	360,898	-	2,079,256	(2,079,256)	-
	3,371,278	3,827,536	2,528,885	9,727,699	(2,079,256)	7,648,443
RESULTS						
Segment profit	78,527	63,879	537,073			679,479
Unrealised profit elimination	(18,181)	(25,989)	(21,121)			(65,291)
	60,346	37,890	515,952			614,188
Unallocated other income						59,461
Unallocated corporate expenses						(132,250)
Other gains and losses						14,573
Impairment loss recognised in respect of property, plant and equipment						(808,363)
Loss on fair value change of embedded derivative components of convertible bonds						(376)
Gain on fair value change on investment properties						1,355,261
Finance costs						(201,146)
Profit before taxation						901,348

Measurement

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual report. Performance is measured based on segment profit that is used by the CODM for the purposes of resource allocation and assessment of segment performance. Taxation is not allocated to reportable segments.

The turnover and profit or loss of the Group are allocated based on the operations of the segments.

Other than the segment revenue and segment profit analysis presented above, information about assets and liabilities was not regularly provided to the CODM. Hence, no segment asset or segment liability information is presented.

Inter-segment turnover is charged at prevailing market rates.

Reportable segment profit represents the profit earned by each segment without allocation of certain other income, impairment loss recognised in respect of property, plant and equipment, loss on fair value change of embedded derivative components of convertible bonds, (loss) gain on fair value change on investment properties, sundry income, other gains and losses, corporate expenses and staff costs, and finance costs.

(b) Other segment information

Amounts included in the measure of segment profit or loss:

For the year ended 31 December 2014

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Consolidated *HK$'000*
Amortisation of prepaid lease payment	**3,336**	**1,312**	**1,108**	**5,756**
Amortisation of intangible assets	**-**	**-**	**5,112**	**5,112**
Depreciation of property, plant and equipment	**556,821**	**90,536**	**54,968**	**702,325**
Loss (gain) on disposal of property, plant and equipment	**5,031**	**(160)**	**374**	**5,245**
Write-down of long aged deposit and prepayment	**32,434**	**-**	**-**	**32,434**
Impairment loss recognised in respect of property, plant and equipment	**90,911**	**-**	**19,153**	**110,064**

For the year ended 31 December 2013

	Intermediate products *HK$'000*	Bulk medicine *HK$'000*	Finished products *HK$'000*	Consolidated *HK$'000*
Amortisation of prepaid lease payment	2,860	1,317	386	4,563
Amortisation of intangible assets	-	-	2,221	2,221
Depreciation of property, plant and equipment	398,279	111,916	57,576	567,771
Loss on disposal of property, plant and equipment	18,396	2,894	-	21,290
Write-down of long aged deposit and prepayment	6,291	14,837	-	21,128
Impairment loss recognised in respect of property, plant and equipment	808,363	-	-	808,363

(c) Geographical information

The turnover by geographical market (irrespective of the origin of the goods) based on the location of the customers are presented below:

	Turnover from external customers	
	2014	2013
	HK$'000	*HK$'000*
PRC (country of domicile)	**5,400,957**	4,943,565
Europe	**808,865**	837,008
India	**618,440**	654,311
Hong Kong	**71,617**	24,401
Middle East	**90,184**	87,331
South America	**236,036**	437,921
Other Asian regions	**610,131**	529,345
Other regions	**193,605**	134,561
	8,029,835	7,648,443

Note:

Analysis on turnover from external customers attributed to individual countries in Europe, other Asian regions and other regions is not presented as the cost to develop such necessary information would be excessive.

(d) Information about major customers

There is no customer who represents more than 10% of the total sales of the Group.

5. Other income

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**31,708**	25,196
Sales of raw materials	**19,839**	32,884
Subsidy income (Note)	**446,282**	18,030
Sundry income	**11,322**	2,143
	509,151	78,253

Note:

Included in the amount for the year ended 31 December 2014 mainly consists of (i) approximately HK$390,660,000 (2013: HK$Nil) representing incentives received by a group entity in Chengdu which is for compensating losses incurred in relation to cessation of production in 2013 in Chengdu, and (ii) approximately HK$54,244,000 (2013: HK$5,889,000) incentives as immediate financial support with no future related costs expected to be incurred nor related to any assets.

6. Other gains and losses / other expenses

	2014	2013
	HK$'000	*HK$'000*
a. Other gains and losses		
Fair value (loss) gain on forwards contracts	**(9,276)**	23,383
Net foreign exchange (loss) gain	**(6,048)**	12,480
Gain (loss) on disposal of property, plant and equipment	**5,245**	(21,290)
	(10,079)	14,573
b. Other expenses		
Research and development expenditures	**147,608**	138,545
Staff redundancy costs and removal costs upon cessation of production	**4,919**	64,961
Temporary production suspension costs	**99,048**	160,664
Write-down of long aged deposit and prepayment	**32,434**	21,128
Others	**7,830**	1,848
	291,839	387,146

7. Finance costs

	2014	2013
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years	**387,018**	317,466
Interest on convertible bonds wholly repayable within five years	**15,622**	105,618
Interest on finance leases wholly repayable within five years	**75,995**	48,237
	478,635	471,321
Less: amounts capitalised in property, plant and equipment	**(106,674)**	(270,175)
	371,961	201,146

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.76% (2013: 6.68%) per annum to expenditure on qualifying assets.

8. Tax (credit) expenses

	2014	2013
	HK$'000	*HK$'000*
The (credit) expenses comprises:		
Current tax		
Hong Kong Profits Tax	**9,960**	7,119
PRC Enterprise Income Tax	**157,729**	86,300
PRC withholding tax	**32,194**	24,149
	199,883	117,568
Under (over) provision in prior years		
Hong Kong	**981**	(1,461)
PRC	**-**	619
	981	(842)
Sub-total	**200,864**	116,726
Deferred tax	**(218,394)**	736,585
	(17,530)	853,311

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on the existing legislation, interpretations and practices.

Pursuant to the PRC Enterprise Income Tax law and its detailed implementation rules promulgated on 16 March 2007 and 6 December 2007 respectively, the tax rate for domestic and foreign enterprises is unified at 25% and is effective from 1 January 2008. Besides, with effect from 1 January 2008, if the subsidiaries are qualified as high-technology companies (under the new PRC Enterprise Income Tax Law), the subsidiaries will be entitled a reduced rate of 15% and such qualification is subject to renew for every three years. Certain of group entities in the PRC are entitled to the reduced tax rate of 15% for 2014 and 2013.

According to a joint circular of Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No.1, dividend distributed out of the profits generated since 1 January 2008 by the PRC entity to non-PRC tax resident shall be subject to PRC Enterprise Income Tax pursuant to Articles 3 and 27 of the Income Tax Law Concerning Foreign Investment Enterprises and Foreign Enterprises and Article 91 of the Detailed Rules for the Implementation of the Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises.

9. Profit for the year

	2014	2013
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Provision (reversal) of allowances for inventories (included in cost of sales)	**8,026**	(3,841)
Provision of allowances for doubtful debts, net	**16,956**	7,510
Auditor's remuneration	**5,913**	5,503
Amortisation of prepaid lease payments	**5,756**	4,563
Depreciation and amortisation		
Depreciation of property, plant and equipment	**702,325**	567,771
Amortisation of intangible assets (included in administrative expenses)	**5,112**	2,221
	707,437	569,992
Less: amount included in temporary production suspension costs in other expenses	**(77,773)**	(37,327)
Less: amount included in research and development expenditures in other expenses	**(35,044)**	(27,075)
	594,620	505,590
Operating lease payments in respect of rented premises	**2,119**	1,851
Staff costs, including directors' emoluments		
Salaries and other benefits costs	**882,047**	782,181
Retirement benefit costs	**100,092**	79,209
	982,139	861,390
Less: amount included in research and development expenditures in other expenses	**(22,530)**	(19,928)
Less: amount included in temporary production suspension costs in other expenses	**(3,551)**	(18,270)
	956,058	823,192

10. Dividends

The board of directors does not recommend payment of final dividend for the year ended 31 December 2014 (2013: Nil).

11. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings

	2014	2013
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to owners of the Company	**681,076**	48,037

Number of shares

	2014	2013
	'000	*'000*
Number of ordinary shares for the purpose of basic and diluted earnings per share	**1,626,875**	1,626,875

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share for both years.

12. Property, plant and equipment

During the year, the Group spent approximately HK$912,408,000 (2013: HK$2,645,212,000) on the acquisition of factory premises and manufacturing plant, in order to upgrade its manufacturing capabilities.

13. Trade and bills receivables, other receivables, deposits and prepayments

	2014	2013
	HK$'000	*HK$'000*
Trade and bills receivables	**2,596,814**	2,751,998
Value added tax receivables	**166,667**	286,076
Other receivables, deposits and prepayments	**255,526**	273,636
Less : allowance for doubtful receivables		
- trade	**(11,435)**	(7,362)
- non-trade	**(25,992)**	(13,695)
	2,981,580	3,290,653

The Group normally allows a credit period of between 30 days and 120 days to its trade customers, and may be extended to selected customers depending on their trade volume and settlement with the Group. The bills receivables have a general maturity period of between 90 days and 180 days.

The following is an analysis of trade and bills receivables by age, presented based on the invoice date, and net of allowance for doubtful receivables, at the end of the reporting period which approximate the respective revenue recognition dates:

	2014	2013
	HK$'000	*HK$'000*
Trade receivables		
0 to 30 days	**613,416**	607,924
31 to 60 days	**324,225**	393,976
61 to 90 days	**128,787**	198,875
91 to 120 days	**83,821**	46,645
121 to 180 days	**19,198**	41,075
Over 180 days	**5,028**	11,052
	1,174,475	1,299,547
Bills receivables		
0 to 30 days	**295,838**	248,973
31 to 60 days	**187,496**	253,352
61 to 90 days	**298,977**	279,729
91 to 120 days	**244,937**	380,413
121 to 180 days	**376,216**	280,262
Over 180 days	**7,440**	2,360
	1,410,904	1,445,089

14. Trade and bills payables and accrued charges

The Group normally receives credit terms of up to 120 days and 180 days of trade payables and bills payables, respectively, from its suppliers. The following is an analysis of the trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	2014	2013
	HK$'000	*HK$'000*
Trade payables		
0 to 90 days	**818,640**	962,289
91 to 180 days	**306,048**	45,015
Over 180 days	**162,965**	33,258
	1,287,653	1,040,562
Bills payables		
0 to 90 days	**510,420**	710,500
91 to 180 days	**271,693**	187,380
	782,113	897,880
Other payables and accruals	**442,497**	530,308
Deferred income in respect of government grants	**174,199**	147,999
Payables in respect of the acquisition of property, plant and equipment	**986,900**	1,147,861
Premium payable for change of use of land in Chengdu	**-**	617,454
	3,673,362	4,382,064
Less: Amount due within one year shown under current liabilities	**(3,570,047)**	(4,274,793)
Amount shown under non-current liabilities	**103,315**	107,271

Included in the trade payables and other payables above are HK$550,765,000 and HK$19,192,000 (2013: HK$551,736,000 and HK$22,020,000), respectively had been settled by endorsed bills for which the maturity dates of the bills have not yet fallen due as at the end of the reporting period.

15. Share capital

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.01 each:		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	3,800,000	38,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 31 December 2014	**1,626,875**	**16,269**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Financial Results

For the year ended 31 December 2014, the Group's turnover was approximately HK$8,029.8 million, an increase of 5.0% as compared with last year. The profit attributable to shareholders was approximately HK$681.1 million, representing an increase of 1,317.8% as compared with last year. The substantial increase in annual net profit of the Group for the year ended 31 December 2014 is attributable to a number of factors as below:

- The overall gross profit of the Group was improved due to decrease in production costs through production capacity being steadily released and the production technology of enzymatic bulk amoxicillin being mature of the Inner Mongolian's plant;

- In light of cessation of the operations of the Chengdu plant last year, a subsidy income from the local government of approximately HK$390,660,000 was received during the year;

- The construction of the new facilities in Inner Mongolia plant gradually completed and commenced production this year. The amount of interest capitalised was decreased in the year. Thus, it resulted in increase in financial costs for the current year as compared with last year; and

- The fair value of the investment properties in Chengdu decreased as at 31 December 2014 compared with last year as the real estate market in China continued to be sluggish this year.

During the year, segmental turnover (including inter-segment sales) of intermediate products decreased by 2.3% and bulk medicine and finished products increased by 13.9% and 8.0% respectively as compared with last year. Segmental result of intermediate products, bulk medicine and finished products increased by 214.4%, 705.3% and 20.3% respectively as compared with last year.

Looking back, China's pharmaceutical market remained basically stable in 2014. The government continued to reform and improve the domestic medical system, enhance public medical services and enhance medical level, which expanded the demands from different sectors of the community for medical services and products, especially the Group's high quality pharmaceutical products which possess market advantages. The Group's operations during the year are summarized as follows:

Higher gross profit margin of intermediate and bulk medicine products

Prices of intermediate and bulk medicine products continued to increase in the first half of the year and remained steadily in the second half of the year. Moreover, the full production of the Group's Inner Mongolia plant, the efficient vertically integrated production and the increasingly sophisticated enzymatic amoxicillin production technologies further reduced production costs, all contributing to a higher gross profit margin of bulk medicine products.

Increased sales of finished products

The Group's recombinant human insulin products was officially included in the Essential Drugs List (2012 edition) in May 2013, which accelerated the Group's promotion and bidding work in various levels of medical institutions across the country. In the second half, the Group's bidding work with public medical institutions in various provinces and municipalities proceeded smoothly and successfully bid for a number of new contracts. Moreover, the Group's insulin products explored the domestic market and captured a larger market share.

Completion of the change of the land usage of Chengdu plant

During the first half of 2013, the Group has decided to relocate its 6-APA production lines in Chengdu plant to the Inner Mongolia production plant. The Group had applied to relevant government authorities to change the usage of the land in Chengdu plant into commercial, service industry facility and residential uses and obtained the approval. During the period, the Group obtained government subsidies of approximately HK$390,660,000, and the related plant has undergone necessary procedures in respect of its land use and is ready for redevelopment.

Liquidity and Financial Resources

As at 31 December 2014, the Group had pledged bank deposits and cash and bank balances amounted to HK$2,217.8 million (2013: HK$1,967.5 million).

As at 31 December 2014, the Group had interest-bearing bank borrowings of approximately HK$5,892.7 million (2013: HK$6,379.6 million), which were denominated in Hong Kong dollars, Reminbi and United States dollars with maturity within five years. Bank borrowings of approximately HK$4,155.0 million are fixed rates loans while the remaining balance of approximately HK$1,737.7 million is at floating rates. The directors expect that all such bank borrowings will either be repaid by internally generated funds or rolled over upon maturity and will continue to provide funding to the Group's operations.

As at 31 December 2014, current assets of the Group amounted to approximately HK$6,623.8 million (2013: HK$6,541.6 million). The Group's current ratio was approximately 0.74 as at 31 December 2014, as compared with 0.66 as at 31 December 2013. As at 31 December 2014, the Group had total assets of approximately HK$18,918.2 million (2013: HK$19,600.2 million) and total liabilities of approximately HK$11,949.1 million (2013: HK$13,118.4 million), representing a net gearing ratio (calculated as total borrowings, obligations under finance leases and convertible bonds less pledged deposit against finance leases, pledged bank deposits and cash and bank balances to total equity) of 72.3% as at 31 December 2014, as compared with 87.1% as at 31 December 2013.

Currency Exchange Exposures

The Group's purchases and sales are mainly denominated in Renminbi, United States dollars and Hong Kong dollars. The operating expenses of the Group are mainly in Renminbi and Hong Kong dollars. The Group's treasury policy is in place to monitor and manage its exposure to fluctuation in interest rates. Besides, the Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instrument for hedging purpose when considered appropriate.

Contingent Liabilities

As at 31 December 2013 and 2014, the Group had no material contingent liabilities.

Outlook for 2015

Looking into 2015, we remain cautiously optimistic on the development of China's pharmaceutical market. It is expected that the Chinese government will adopt quality-prioritized reform policies on the PRC pharmaceutical industry, and thus the Group will possess market advantage leveraging our high quality products. The Group is prepared to continue to increase its market share in China and overseas markets. Our development strategies in various aspects are as follows:

Developing new products and expanding the sales of recombinant human insulin products

The Group continued to strengthen research and development on biological finished products. Insulin glargine (third generation insulin) has currently entered the registered pharmaceutical production site inspection stage prior to application for approval, and is anticipated to receive approval documents for and commence production within 2015. As for new products, Levetiracetam, our Category 3.1 new drug, which is used for the treatment of epilepsy, successfully passed the registered pharmaceutical production site inspection early in 2015. It is expected that the Group will become the fourth domestic company to be approved to produce such type of drugs, which will benefit more patients. Currently, we have 56 new products being developed, and received 2 approval documents for production and 2 for clinical trials, and had 16 patent registration applications been approved and another 9 pending approval in the year ended 31 December 2014. The Group will further enhance marketing and sales efforts for its recombinant human insulin products, to win a larger market share leveraging the price advantage of these products, which is expected to bring in substantial revenue for the Group in the long run.

Reorganising product lines and enhancing efficiency of the Inner Mongolia plant

The Group will continue to enhance the production efficiency of the Inner Mongolia plant and produce more amoxicillin, the major bulk medicine products with higher profit margin, so as to improve the gross profit margin of the Group on the whole. In addition, the Group will actively research new production technology and improve the existing production process to enhance efficiency and lower cost in order to enhance the competitiveness of the Group's product on the market.

Extending the bidding contracts for finished products

The Group will take active approaches to participate in tenders for finished products of medical institutions of various types in various provinces, municipalities and prefectures, in order to further increase the sales of our finished products and reinforce our profitability. In view of our advantages in product quality and price and our excellent sales team of around 3,000 talents, we are confident about the outcome of our bidding work in the coming year.

Employees and Remuneration

As at 31 December 2014, the Group had approximately 12,000 (2013: 12,000) employees in Hong Kong and the PRC. The employees are remunerated with basic salary, bonus and other benefits in kind with reference to industry practice and their individual performance. The Group also operates a share option scheme of which the Directors may, at its discretion, grant options to employees of the Group. No option has been granted since the adoption of the share option scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company is committed to ensure high standards of corporate governance in the interest of its shareholders.

The Company has applied and complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

- Code Provision A.2.1

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2014, the Company did not have a chief executive officer. The Company will make appointment to fill the post as appropriate.

- Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive director was unable to attend the annual general meeting of the Company held on 3 June 2014 due to other important engagement.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for dealings in securities of the Company by the directors. Following a specific enquiry, all directors confirmed that they have complied with the required standards set out in the Model Code throughout the year covered by this announcement.

AUDIT COMMITTEE REVIEW

The Audit Committee comprises of four independent non-executive directors, namely Mr. Chong Peng Oon, Mr. Huang Bao Guang, Prof. Song Ming and Ms. Fu Xian Nan. The Audit Committee has reviewed and discussed matters relating to internal controls and financial statement, including a review of the audited financial statement for the year ended 31 December 2014.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises (1) Mr. Tsoi Hoi Shan, Mr. Leung Wing Hon, Ms. Choy Siu Chit, Ms. Zou Xian Hong, Ms. Zhu Su Yan and Mr. Fang Yu Ping as executive directors; and (2) Mr. Chong Peng Oon, Mr. Huang Bao Guang, Prof. Song Ming, and Ms. Fu Xiao Nan as independent non-executive directors.

On behalf of the Board
Tsoi Hoi Shan
Chairman

Hong Kong, 30 March 2015