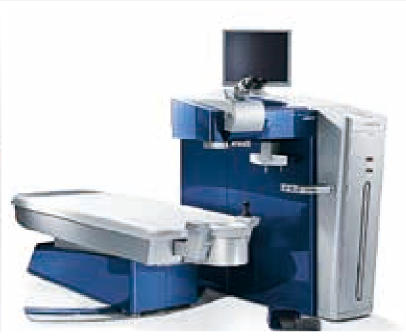
中国先锋医药控股有限公司
China Pioneer Pharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 01345



Annual Report **2013**

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xinzhou *(Chairman and Chief Executive Officer)*
Mr. Zhu Mengjun *(Deputy General Manager and Chief Financial Officer)*

Non-executive Directors

Mr. Lu Yuan
Mr. Wu Mijia
Mr. Zhang Wenbin

Independent Non-executive Directors

Mr. Xu Zhonghai
Mr. Lai Chanshu
Mr. Wong Chi Hung, Stanley

AUDIT COMMITTEE

Mr. Wong Chi Hung, Stanley *(Chairman)*
Mr. Xu Zhonghai
Mr. Wu Mijia

REMUNERATION COMMITTEE

Mr. Xu Zhonghai *(Chairman)*
Mr. Lai Chanshu
Mr. Zhang Wenbin

NOMINATION COMMITTEE

Mr. Li Xinzhou *(Chairman)*
Mr. Lai Chanshu
Mr. Xu Zhonghai

AUTHORIZED REPRESENTATIVES

Mr. Zhu Mengjun
Ms. Yung Mei Yee

JOINT COMPANY SECRETARIES

Mr. Min Le
Ms. Yung Mei Yee *(FCIS, FCS)*

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTERS

No.1000, Wangqiao Road
Pudong new district
Shanghai
China
Tel: (86) 021 50498986

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 2605, 26/F Trendy Centre
682 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town
Grand Cayman KY1-9005
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISORS

Shearman & Sterling

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

COMPLIANCE ADVISER
Guotai Junan Capital Limited

INVESTOR RELATIONS
Porda Havas International Finance Communications Group

COMPANY'S WEBSITE
http://www.pioneer-pharma.com/

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED
01345

DATE OF LISTING
5 November 2013

Financial Highlights

- Revenue of the Group increased by 32.7% to RMB1,272.2 million in 2013 from RMB958.7 million in 2012.
- Profit attributable to owners of the Company increased by 27.9% to RMB238.4 million in 2013 from RMB186.4 million in 2012.
- Basic earnings per share was RMB0.23 in 2013.
- Net profit of the Group increased by 26.9% to RMB235.8 million in 2013 from RMB185.7 million in 2012.
- A final dividend of RMB10.7 cents per share (equivalent to HKD13.5 cents per share) was recommended by the Board and are subject to the approval of the shareholders at the annual general meeting of the Company to be held on 9 May 2014.

	2010 RMB'000	2011 RMB'000	2012 RMB'000	**2013** **RMB'000**
Operating results				
Revenue	570,647	717,831	958,723	**1,272,247**
Gross profit	166,090	195,702	306,745	**386,647**
Profit before tax	96,882	123,093	206,839	**272,486**
Profit for the year attributable to owners of the Company	70,435	95,675	186,369	**238,372**
Profitability				
Gross margin (%)	29.1	27.3	32.0	**30.4**
Net profit margin (%)	13.2	13.5	19.4	**18.5**
Total assets	520,938	787,512	928,553	**1,996,915**
Total equity	184,876	193,026	212,825	**1,157,285**
Total liabilities	336,062	594,486	715,728	**839,630**
Gearing ratio (%)	30.5	42.9	44.8	**21.5**
Equity attributable to owners of the Company	173,445	192,105	212,057	**1,157,628**
Cash and cash equivalents	114,336	51,356	59,559	**702,073**

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Pioneer Pharma Holdings Limited (the "Company" or "China Pioneer Pharma"), I would like to express my gratitude to all shareholders of the Company (the "Shareholders") for your continued support to the Company. As the chairman of the Company, I am pleased to present to you the annual report of the results of the Company together with its subsidiaries (collectively, the "Group", "we", "us" or "our") for the year ended 31 December 2013.

Founded in 1996, the Group has over 17 years operating history. In 2013, we continued to execute our strategies and development plans while maintaining our focus on the provision of marketing, promotion and channel management services dedicated to imported pharmaceutical products and medical devices. By executing our strategy of expanding and optimising our product portfolio as well as growing and improving our sales, marketing and promotion network, we continued to strengthen our leading market position in 2013. Year of 2013 also marked an important milestone for the Group. The Company's successful listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 November 2013 marks the Company's entry into the international capital markets. The Company's listing raises the Group's profile and provides us with an excellent platform to further capitalised on growth opportunities within China's healthcare industry.

In 2013, we achieved significant growth in our performance. For the year ended 31 December 2013, our revenue increased to RMB1,272.2 million from RMB958.7 million in 2012, representing an increase of 32.7%; profit for the year increased to RMB235.8 million from RMB185.7 million in 2012), representing an increase of 26.9%; and basic earnings per share was RMB0.23. The Board recommends the payment of a final dividend of RMB0.107 (equivalent to HKD0.135) per share for the year ended 31 December 2013.

DEVELOPING AND OPTIMISING OUR PRODUCT PORTFOLIO

In 2013, the Group continued to enhance our provision of comprehensive marketing, promotion and channel management services to small and medium-sized overseas pharmaceutical product and medical device suppliers. In addition, we continued to expand the scope of our co-promotion and channel management services provided to Alcon.

For the year ended 31 December 2013, the Group generated RMB486.0 million in revenue from the sale of products sold via the provision of comprehensive marketing, promotion and channel management services to small and medium-sized overseas suppliers, representing an increase of 50.1% as compared to 2012 and accounting for 38.2% of the Group's revenue for the year ended 31 December 2013. Revenue from key products in this segment, including Difene and Fluxum, recorded steady growth in 2013. This segment's growth can be attributed to several factors, including: increasing brand recognition due to our promotion efforts, growing demand for our products in regions and hospitals within our network, increased promotion efforts and cross-selling within the various hospital departments and increased academic promotion activities targeted at doctors. We also expanded our network of key opinion leaders in key therapeutic areas and increased the number of academic conferences we organised in 2013 to further raise awareness and strengthen recognition of our Group's products.

In addition, we also made significant progress for the sale of medical devices in 2013. In 2012, we started providing comprehensive marketing, promotion and channel management services dedicated to imported medical devices in China. In 2013, we were able to intensify and streamline our marketing efforts for these products. As a result, revenues generated from the sale of medical devices increased significantly in 2013. In addition, our medical devices business benefited from our well-established sales and marketing network, our flexible sales models and favourable macro-economic factors. We will continue to leverage on our strong momentum from 2013 to further promote the growth of our medical devices business.

For the year ended 31 December 2013, revenue generated from the sale of products sold via the provision of co-promotion and channel management services to Alcon, the world's largest eye care products company, amounted to RMB786.2 million, representing an increase of 23.8% as compared to 2012 and accounted for 61.8% of the Company's total revenue for the year ended 31 December 2013. Due to aging population and lifestyle changes, the incidence of ophthalmic diseases in China continues to be on the rise. This has led to significant increase in market demand for ophthalmological pharmaceutical products. As the market leader of eye care products, Alcon has benefited substantially from these macroeconomic tailwinds. The increase in market demand for Alcon products continued to underpin our Company's growth in 2013. For the year ended 31 December 2013, the Group continued to strengthen its relationship with Alcon, the world's largest eye care products company, via the provision of co-promotion and channel management services. In January 2013, we started providing co-promotion services to Alcon for one additional product, bringing the total number of products we provide co-promotion services for Alcon to seven. In October 2013, Alcon also amended its agreement with us to extend the term of our agreement to 31 December 2018.

We actively seek prospective product candidates for marketing, promotion and sale from overseas pharmaceutical and medical device companies. We believe that our current product pipeline would sustain the Group's growth in the long term. When selecting prospective product candidates, we consider factors such as clinical features, competitive environment, registration and regulation regime and reputation of suppliers.

Meanwhile, we will further explore opportunities to establish collaborative relationships with appropriate suppliers through strategic investments so as to competitively position the Group when securing or renewing marketing and promotion rights for pharmaceutical products and medical devices. In 2012, we made an equity investment in NovaBay, a US biotechnology company, and obtained the exclusive marketing, promotion and sales rights for its NeutroPhase products in China and certain Southeast Asia markets. For the year ended 31 December 2013, we increased our shareholding in NovaBay to approximately 15.7% and obtained the exclusive marketing, promotion and sales rights for another two products of NovaBay in China and certain Southeast Asia countries. Furthermore, we also made various investments in Q3, an Irish coronary and biliary stent company, whose subsidiaries include QualiMed and AMG. We entered into the first supply agreement with QualiMed in 2013 and was granted the exclusive right to market, promote and sell its TsunaMed products in China and certain Southeast Asia markets.

For the year ended 31 December 2013, we have secured the marketing, promotion and sales rights for 14 additional prescription pharmaceutical products and 21 additional medical devices. We are currently in the process of registering these products or preparing the registration application for these products with the China Food and Drug Administration for their import and sale in China. The Group expects to leverage on its current network, key opinion leaders and marketing channels to launch these pipeline products promptly after approval by the CFDA.

EXPANDING AND IMPROVING MARKETING NETWORK

In addition to the expansion of product portfolio, our development strategy focuses on continuously expanding our marketing network. Our marketing and promotion model comprises of our in-house marketing team and a team of third-party promotion partners. Our in-house team is primarily responsible for formulating marketing and promotion strategies, conducting selected marketing programmes, and appointing, training and supervising the third-party promotion partners, who are responsible for most of the day-to-day marketing and promotional activities for our products. To maintain the efficiency and stability of marketing network, we have set up sales and product manager teams to manage and support third-party promotion partners.

The Group's marketing and promotion model leverages on the broad experience and geographic reach of the third party promotion partners and enables us to market and promote a diverse range of healthcare products across different regions in China. This model allows us to extend geographic coverage, maintain operational flexibility and reduce fixed and overall marketing and promotion costs.

For the year ended 31 December 2013, we recruited additional staff to our in-house marketing team. As of 31 December 2013, we had over 230 in-house marketing and promotion employees and nearly 1,000 third-party promotion partners. Leveraging on our existing marketing and promotion teams, we expect to deepen our penetration of hospitals within our existing network and also further expand our coverage into additional new hospitals, including lower tier hospitals and smaller medical institutions.

As of 31 December 2013, the Group sold products through its nationwide marketing, promotion and channel management services networks to over 23,000 hospitals and other medical institutions (including 1,105, or 68.0% of Class III hospitals nationwide, 2,685, or 40.9% of Class II hospitals nationwide, and over 87,000 pharmacies) across 31 provinces, municipalities and autonomous regions in China.

The Group has been focusing on expanding its network of key opinion leaders in key therapeutic areas and increasing academic promotion activities in 2013. As of 31 December 2013, the Group had established a network of over 1,300 key opinion leaders, whose views on products help lend credibility to marketing and promotion efforts of the Group. In 2013, the Group organised more than 500 national and provincial medical or pharmaceutical conferences, symposiums and product seminars. These activities helped raise awareness and strengthened recognition of the Group's products.

LISTING IN HONG KONG

Year of 2013 represents a year of milestone for the Group. The Company's successful listing on the Main Board of the Stock Exchange on 5 November 2013 marks our entry into the international capital market. The Company's listing raises the Group's profile and provides us with an excellent platform to further capitalised on growth opportunities within China's healthcare industry.

As a public listed Company in Hong Kong, our Group places great importance on investor relations. We strive to provide investors with information on a timely basis and continue to manage the Group in a transparent and effective manner. In addition, the Group will also actively seek to further enhance our governance structure and strengthen our internal control system to further enhance our operating efficiency.

DIVIDEND

The Board is pleased to recommend payment of final dividend of RMB0.107 (equivalent to approximately HKD0.135) per share for the year ended 31 December 2013 to Shareholders whose names are on the register of members of the Company on Thursday, 15 May 2014. The register of members of the Company will be closed on Thursday, 15 May 2014, on which no transfer of shares will be registered. Payment of such final dividend in Hong Kong Dollars is expected to be made to the Shareholders on or after Friday, 23 May 2014 subject to the Shareholders' approval at the annual general meeting of the Company (the "AGM") on Friday, 9 May 2014.

OUTLOOK

The Company's successful listing on the Stock Exchange on 5 November 2013 has provided us with new opportunities and a new platform for our business development. Looking forward, we will continue to strengthen our position as a leading marketing, promotion and channel management service provider dedicated to imported pharmaceutical products and medical devices in China. We will also pursue a sustainable growth plan by focusing on two core development strategies, namely the further development and optimisation of product portfolio, and expansion and improvement of the Group's sales and marketing network.

We will continue to proactively explore product candidates with high growth potential while ensuring our existing products continue to grow steadily. Meanwhile, we will further explore opportunities to establish collaborative relationships with attractive suppliers through strategic investments to competitively position us when securing and renewing marketing and sales rights for their pharmaceutical products and medical devices.

We intend to expand our marketing, promotion and channel management service network by adding promotion partners and distributors in areas where the Group has limited or no presence. We will also continue to enhance the management and training of our in-house team and third-party promotion partners to ensure that accurate and updated product information is delivered to physicians. Furthermore, we intend to increase the number of promotional activities we organise by organising more academic promotion events related to our products. In addition, we will continue to seek further co-operation opportunities for medical devices products.

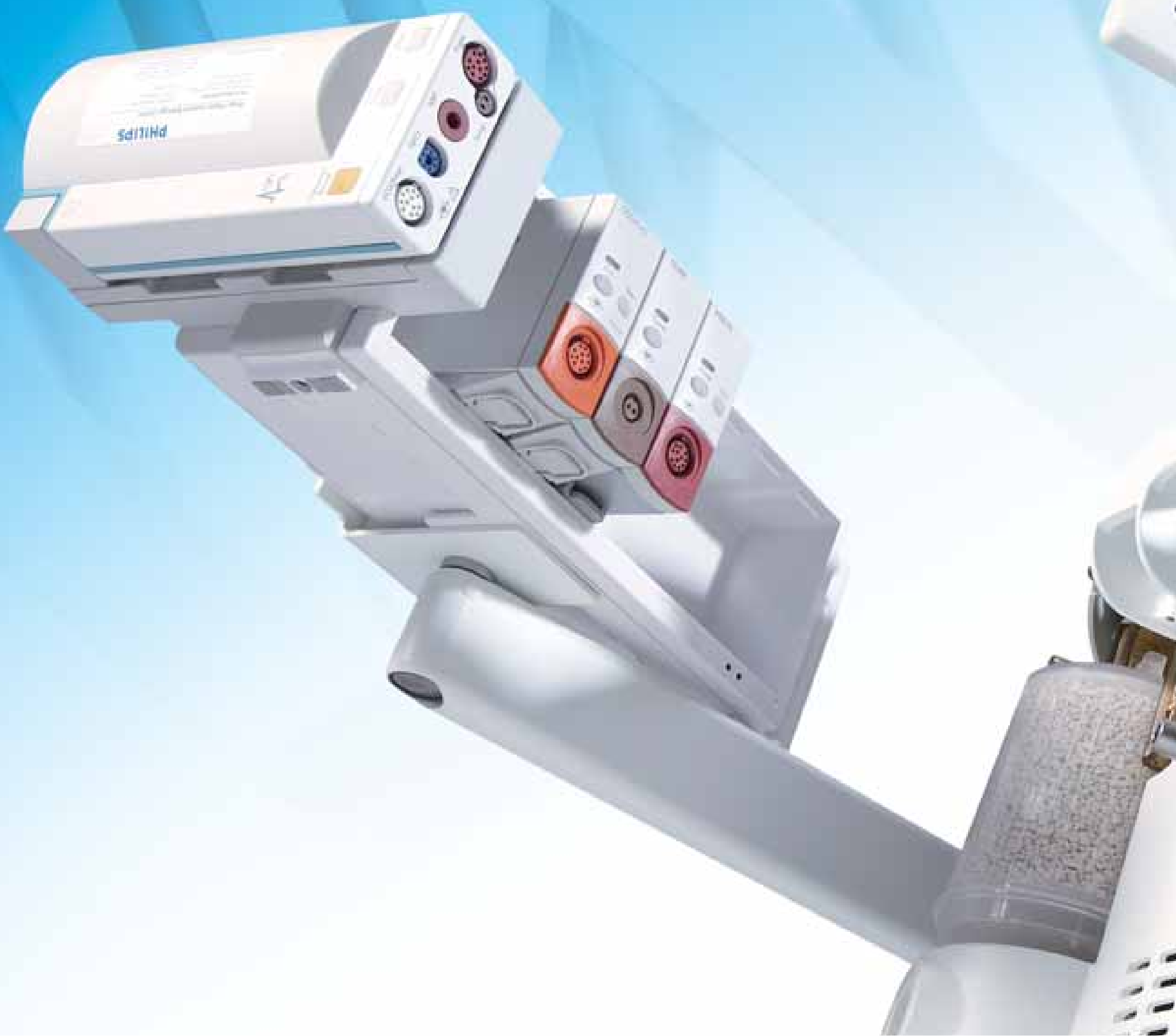
Looking forward, we will continue to focus on enhancing our core competencies in order to maximize return to shareholders and ensure the sustainability of our proven business model.

Li Xinzhou
Chairman of the Board and Chief Executive Officer

25 March 2014

MANAGEMENT

DISCUSSION AND ANALYSIS




Giona
Easyhaler
MAQUET
FLOW-i
MAQUET
PHILIPS
IntelliVue
World's Best Hospital
STANDBY
PHILIPS
Desflurane

Management Discussion and Analysis

OPERATION REVIEW

The Group is one of the largest comprehensive marketing, promotion and channel management service providers dedicated to imported pharmaceutical products and medical devices in China. The Group has over 17 years of operating history, and the Company was listed on the Main Board of the Stock Exchange on 5 November 2013. For the year ended 31 December 2013, the Group maintained market competitiveness and recorded strong results. The Group's revenue increased by 32.7% year-on-year to RMB1,272.2 million (2012: RMB958.7 million) and net profit for the year increased by 26.9% year-on-year to RMB235.8 million (2012: RMB185.7 million).

For the year ended 31 December 2013, the Group continued to enhance comprehensive marketing, promotion and channel management services to small and medium-sized overseas pharmaceutical product and medical device suppliers. The Group also increased promotion efforts for these products and continued to improve and refine each products' marketing strategy. Moreover, the Group expanded its promotion network and increased promotion efforts in hospitals and pharmacies in order to further drive growth of its products. In 2013, revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services increased by 50.1% year-on-year to RMB486.0 million, representing 38.2% of the Group's revenue for the year ended 31 December 2013. Gross profit increased by 35.6% year-on-year to RMB274.6 million, representing 71.0% of the Group's gross profit for the year ended 31 December 2013.

For the year ended 31 December 2013, the Group continued to strengthen its relationship with Alcon, the world's largest eye care products company, via the provision of co-promotion and channel management services. In January 2013, the Group started providing co-promotion services to Alcon for one additional product, bringing the total number of products the Group provides co-promotion services for Alcon to seven. In 2013, revenue generated from products sold via the provision of co-promotion and channel management services increased by 23.8% year-on-year to RMB786.2 million, representing 61.8% of the Group's revenue for the year ended 31 December 2013. Gross profit increased by 7.5% year-on-year to RMB112.0 million, representing 29.0% of the Group's gross profit for the year ended 31 December 2013.

1. Product Development

The Group's current product portfolio includes a number of products manufactured by small and medium-sized overseas suppliers. These products address unmet medical needs or have superior clinical profiles, improved quality or formulations, or relatively limited competition in the Chinese market. For the year ended 31 December 2013, the Group had a product portfolio of 32 pharmaceutical products (substantially all of which were prescription products), covering ophthalmology, pain management, cardiovascular, respiratory, gastroenterology, immunology and other therapeutic areas.

1.1 Products Sold via the Provision of Comprehensive Marketing, Promotion and Channel Management Services:

Therapeutic area/ product category	Product	2013 RMB'000	Proportion to the Group's total revenue %	2012 RMB'000	Proportion to the Group's total revenue %
Pain management	Difene	**118,539**	**9.3**	94,383	9.8
Cardiovascular	Fluxum	**84,875**	**6.7**	61,683	6.4
Immunology	Polimod	**59,708**	**4.7**	38,939	4.1
Pharmaceutical raw materials	Vinpocetine API	**52,815**	**4.2**	12,466	1.3
Gynecology	Macmiror complex and Macmiror	**27,169**	**2.1**	21,756	2.3
Cardiovascular	Neoton	**16,266**	**1.3**	4,840	0.5
Respiratory	Budesonide Easyhaler and Salbutamol Easyhaler	**6,843**	**0.5**	1,144	0.1
Medical devices – ophthalmology	WaveLight Eagle laser surgical series	**50,399**	**4.0**	4,595	0.5
Medical devices – dental	Zenotec CAD/CAM series	**14,970**	**1.2**	5,896	0.6

Difene (diclofenac sodium dual-release enteric-coated capsule) (戴芬) (雙氯芬酸鈉雙釋放腸溶膠囊)
Difene is manufactured by Temmler Werke of Germany. It is used for the treatment of arthritis and other inflammatory rheumatic diseases of the spine, pains related to degenerative diseases of joints and spine, trauma and post-operative swelling or inflammation, dysmenorrhea and post-operative pain or inflammation caused by surgery. Difene's unique dual-release formulation is patented in Europe, the United States and several other countries. For the year ended 31 December 2013, the Group's sales of Difene was RMB118.5 million, representing a 25.6% increase as compared to the year ended 31 December 2012, and contributing 9.3% to the Group's revenue.

After years of market positioning, brand building and expansion of marketing network, Difene has established strong reputation and brand recognition in China. The excellent efficacy and safety of Difene are increasingly recognised and, as a result, Difene has been increasingly recommended by doctors to patients. For the year ended 31 December 2013, the Group further leveraged on the clinical benefits of Difene to maximize the product's market potential in regions and hospitals within its network while deepening the product's penetration into different departments within existing hospitals. Meanwhile, the Group promoted the products at addition to medical institutions. The Group also launched several doctor re-education campaigns and patient awareness activities to further strengthen Difene's brand recognition to enhance sales growth. As of 31 December 2013, Difene was sold to over 10,200 hospitals and 46,500 pharmacies.

Fluxum (parnaparin) (希弗全) (帕肝素)

Fluxum is a low molecular weight heparin product manufactured by Alfa Wassermann of Italy. Fluxum is used in anticoagulant therapy for the prophylaxis and treatment of venous thrombosis and its extension, for prevention of post-operative deep venous thrombosis and pulmonary embolism and for the prevention of clotting in arterial and cardiac surgery. For the year ended 31 December 2013, the Group's sales of Fluxum was RMB84.9 million, representing a 37.6% increase as compared to the year ended 31 December 2012, and contributing 6.7% to the Group's revenue.

For the year ended 31 December 2013, the Group strengthened the market position of Fluxum and continued to develop new markets for Fluxum through increased marketing conferences and medical detailing. The Group's marketing strategy for Fluxum focused on delivering updated information of anticoagulant treatments and specific Fluxum product features to doctors in targeted departments within hospitals in the Group's network. The Group also increased academic promotion efforts for fluxum to smaller Class II hospitals in second and third tier cities in order to strengthen Fluxum's brand recognition. As of 31 December 2013, Fluxum was sold to 802 hospitals nationwide.

Polimod solution (pidotimod) (普利莫) (匹多莫德)

Polimod is a synthetic oral immune stimulant produced by Polichem of Switzerland. It works by stimulating and regulating cell-mediated immune response, and is applied to patients with immune dysfunction, such as respiratory tract infections, otolaryngology infections, urinary tract infections and gynaecological infections. In 2011, the Group were authorised to market and sell Polimod in eight provinces, municipalities and autonomous regions in China. For the year ended 31 December 2013, the Group sold Polimod to over 70 hospitals in 11 provinces and 27 cities through the Group's network and achieved revenue of RMB59.7 million, which represented a 53.3% increase as compared to the year ended 31 December 2012 and contributed 4.7% to the Group's revenue.

The Group enhanced the promotion for Polimod in paediatrics and proactively expanded its application to other hospital departments for the year ended 31 December 2013. The Group also continuously broadened the hospital coverage and key opinion leader network for Polimod. Meanwhile, through various academic promotion activities, the Group further increased Polimod's brand recognitions amongst medical professionals.

Vinpocetine API (長春西汀原料藥)

Vinpocetine active pharmaceutical ingredient is a pharmaceutical raw material manufactured by Covex of Spain. Vinpocetine is a cerebral vasodilator that can improve blood supply to the brain, inhibit platelet aggregation, reduce blood viscosity, enhance the deformability of red blood cells, improve blood fluidity and microcirculation, which in turn increases the absorption of glucose by nerve cells and oxygen flow to the brain, and enhance brain metabolism. In addition to preventing and treating cerebral insufficiency and its adverse consequences, Vinpocetine can also be used to improve the mental activities of a healthy person. Vinpocetine API is the core component for manufacturing Vinpocetine.

For the year ended 31 December 2013, the Group's sales of Vinpocetine API was RMB52.8 million, representing a 323.7% increase as compared to the year ended 31 December 2012. This product contributed 4.2% to the Group's revenue. In 2013, the Group sold Vinpocetine API to 30 pharmaceutical companies.

Macmiror Complex (nifuratel and nystatin vaginal suppositories) (麥咪康帕) (硝呋太爾制黴素陰道栓劑) and Macmiror (nifuratel tablets) (麥咪諾) (硝呋太爾片)

Macmiror Complex is produced by Polichem of Switzerland with a fixed combination of nifuratel and nystatin vaginal suppositories with intense and efficacious trichomonacidal, antibacterial and mycostatic action. Macmiror is nifuratel in oral form produced by Polichem of Switzerland. Nifuratel, the active ingredient of Macmiror, is a chemotherapeutic agent (furanederivative) with strong trichomonicidal activity and has a broad spectrum of antibacterial action for treatment.

For the year ended 31 December 2013, the Group's revenue of Macmiror Complex and Macmiror was RMB27.2 million, representing a 24.9% increase as compared to the year ended 31 December 2012, and contributing 2.1% of the Group's revenue. The Group increased the promotion of these gynecology products and further broadened coverage of hospitals and key opinion leaders for the year ended 31 December 2013. Through various academic promotion activities, the Group also further increased Macmiror's brand recognition. As of 31 December 2013, the Group sold Macmiror Complex and Macmiror to over 110 hospitals in 12 provinces and 36 cities throughout the Group's network.

Neoton (creatine phosphate sodium for injection) (里爾統) (注射用磷酸肌酸)

Neoton is creatine phosphate sodium for injection produced by Alfa Wassermann of Italy. It is primarily used for ischemic heart diseases and cardiomyopathy resulting from various causes. Neoton is added to cardioplegia during cardiac surgery to protect cardiac muscles and is also used to treat metabolic disorders in myocardial ischemic states. In 2012, the Group was authorised to market, promote and sell Neoton to designated hospitals in five provinces, municipalities and autonomous regions in China. As of 31 December 2013, the Group sold Neoton to 29 hospitals in 7 provinces, municipalities and autonomous regions and 15 cities in China through the Group's network. For the year ended 31 December 2013, the Group's sales of Neoton was RMB16.3 million, representing a 236.1% increase as compared to the year ended 31 December 2012, and contributing 1.3% to the Group's revenue.

In 2013, by increasing academic promotion efforts focusing on Neoton's clinical benefits, the Group expanded the clinical application of Neoton to more departments within hospitals that the Group covered.

Budesonide Easyhaler (budesonide powder for inhalation) (沐而暢茜樂) (布地奈德吸入粉霧劑) and Salbutamol Easyhaler (salbutamol sulphate powder for inhalation) (順而忻茜樂) (硫酸沙丁胺醇吸入粉霧劑)

The Easyhaler series products include Budesonide Easyhaler (budesonide powder for inhalation) and Salbutamol Easyhaler (salbutamol sulphate powder for inhalation), both of which are inhalation drugs used for the treatment of lung diseases by Orion Corporation of Finland. Budesonide Easyhaler is intended for patients with persistent asthma who need glucocorticosteriod treatment, while Salbutamol Easyhaler is used to alleviate bronchospasm caused by bronchial asthma or chronic obstructive pulmonary disease, or COPD.

For the year ended 31 December 2013, the Group's sales of Easyhaler series products was RMB6.8 million, representing a 498.2% increase as compared to the year ended 31 December 2012, and contributing 0.5% of the Group's revenue.

For the year ended 31 December 2013, the Group's Easyhaler series products won bids in three provinces. At the same time, the Group also accelerated the products' promotion efforts in hospitals. By participating in various national and international academic promotion conferences, the Group increased Easyhaler's brand recognition and enhanced the products' penetration into respiratory and paediatrics departments within multiple hospitals. Meanwhile, the Group continued to conduct medical detailing for Easyhaler to enhance the brand's recognition. The Group also further bolstered key opinion leader network for Easyhaler. This not only fostered the sales of Easyhaler for the year ended 31 December 2013 but also built a solid foundation for its bid winning and hospital coverage work in 2014.

As of 31 December 2013, the Group sold Easyhaler series products to 217 hospitals and pharmacies in 14 provinces and 51 cities in China through the Group's marketing network.

Medical devices – Zenotec CAD/CAM (Zenotec牙科系統)

Zenotec CAD/CAM system is manufactured by Wieland and includes digital cutting equipment and digital scanners. Wieland is a supplier of complete dental systems and provides dental solutions based on materials such as zirconium oxide, metal and acrylic resins. Zenotec CAD/CAM is primarily used for dental digital scanning and the production of dental prosthesis and models.

For the year ended 31 December 2013, the Group's sales of Zenotec CAD/CAM was RMB15.0 million, representing a 153.9% increase as compared to the year ended 31 December 2012, and contributing 1.2% to the Group's revenue. The Group increased the promotion for this product to extend its application in dental hospitals and dental clinics for the year ended 31 December 2013. As of 31 December 2013, the Group sold Zenotec CAD/CAM products to 27 dental hospitals and dental clinics in China through the Group's network.

Medical devices – WaveLight Eagle laser surgical series WaveLight 鷹視鐳射手術系統

WaveLight Eagle laser surgical series includes WaveLight Eagle FS200 series and WaveLight Eagle EX500. It is a laser surgical series produced by Alcon of the United States for treatment of ametropia of eyes. WaveLight Eagle FS200 series is featured with high surgical accuracy, low complications and high corneal flap production speed, while WaveLight Eagle EX500 series provides higher cutting speed, more accurate treatment results and various individualised treatment means through advanced excimer laser technology.

For the year ended 31 December 2013, the Group increased marketing and promotion efforts for this ophthalmological medical devices. The Group adopted a multi-strategy sales model for this product for different regions, resulting in strong growth for this product in 2013. As of 31 December 2013, the Group established business co-operation with 9 hospitals in China by entering into sales or co-operation agreements. In 2013, the Group's sales of WaveLight Eagle laser surgical series was RMB50.4 million, representing 4.0% of the Group's revenue.

In general, the Group's sales model for ophthalmological medical devices include four categories: 1) direct selling; 2) consumables purchase arrangements; 3) revenue sharing arrangements; and 4) profit sharing co-operation arrangements. Under 1) direct selling, by entering into sales agreement with a client, the Group sells the equipment to the clients directly. Under 2) consumable purchase cooperation, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client shall purchase consumables of the device from the Group, for an amount not lower than the minimum annual purchase amount of consumables pursuant to the agreement. Upon expiry of the agreement term, the ownership of the device will be transferred to the client without additional charges. Under 3) revenue sharing cooperation, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client is required to pay the Group a certain proportion of revenue generated from the use of the equipment, subject to a minimum amount pursuant to the agreement. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges. Under 4) profit sharing cooperation, by entering into a co-operation agreement with a client, a project group using the medical device will be created. Within the agreed term, the annual profit generated from the project, which shall be surgery income net of project expenses such as salary of the project group members, travel expenses, facility maintenance fees, consumable purchase costs and daily expenses, will be shared by the Group and the client on a pro-rata basis. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges.

The flexible sales models for ophthalmological medical devices are tailored to satisfy the needs of clients. The ophthalmological medical devices business is generally characterised by large amount of upfront lump sum payment, long turnover period and differential in the number of surgeries in different regions. The Group's sales models have proven to be effective in launching and expanding ophthalmological medical devices business.

1.2 Products Sold via the Provision of Co-Promotion and Channel Management Services:

Therapeutic area	Product	**2013 RMB'000**	**Proportion to the Group's total revenue %**	2012 RMB'000	Proportion to the Group's total revenue %
Ophthalmology	Alcon series ophthalmic pharmaceutical products	**786,207**	**61.8**	635,002	66.2

The Group is the sole provider of channel management services for all of Alcon ophthalmic pharmaceutical products in China, the world's largest eye care products company.

In 2013, the Group's revenue from the sale of Alcon series products was RMB786.2 million, representing a 23.8% increase as compared to the year ended 31 December 2012, and contributing 61.8% of the Group's revenue. As of 31 December 2013, the Group sold Alcon series ophthalmic pharmaceutical products to over 18,500 hospitals and over 46,000 pharmacies in China through the Group's marketing network.

In 2013, the Group's revenue generated from the provision of co-promotion services for the seven products of Alcon represented 66.2% of the Group's total revenue generated from provision of co-promotion and channel management services for Alcon products.

Pursuant to the Notice on Not Administrating Ophthalmic Irrigating Solutions Products as Medical Devices (Notice No. 15) issued by China Food and Drug Administration ("**CFDA**") on 2 November 2009, Alcon BSS® Sterile Irrigating Solution would be managed as a drug instead of a medical device upon the expiry of its original medical device registration certificate. On 24 October 2013, the imported drug registration certificate of this product was approved. This product was the twenty-first Alcon ophthalmic pharmaceutical product sold in China for which the Group provides channel management services.

1.3 *Product Pipeline*

The Group actively seeks prospective product candidates for marketing, promotion and sale from overseas pharmaceutical and medical device companies. The Group's product pipeline would sustain the Group's growth in the long term. When selecting prospective product candidates, the Group considers factors such as clinical features, competitive environment, registration and regulation regime and reputation of suppliers. As of 31 December 2013, the Group has secured the marketing, promotion and sales rights for 14 additional prescription pharmaceutical products and 21 additional medical devices. The Group is currently in the process of registering these products or preparing the registration application for these products with the CFDA for their import and sale in China. The Group expects to leverage on its current network, key opinion leaders and marketing channels to launch these pipeline products promptly after approval. The descriptions of key products in product pipeline are summarised as follows:

NeutroPhase wound care solution (紐儲非傷口護理液)

NeutroPhase is a skin and wound cleanser produced by NovaBay Pharmaceuticals, Inc. ("**NovaBay**") of the United States, consisting of 0.01% pure hypochlorous acid in physiological saline solution. It is intended to be used to moisturise absorbable surgical dressing, wash and clean small wounds, minor burns as well as acute and chronic skin lesions, such as diabetic foot ulcers and post-operative wounds. NeutroPhase applied for registration to CFDA and received preliminary feedback for the year ended 31 December 2013. It is in the process of supplementing relevant information required by CFDA.

STARflo glaucoma Implant (青光眼引流器)

STARflo glaucoma implant is produced by iSTAR Medical of Belgium. It is a non-degradable, precision-pore implant made from Healionics' proprietary silicone STAR Biomaterial technology. The product is designed to operate as a bleb-free, micro-porous drainage system to reduce intraocular pressure of the patients suffering from open angle glaucoma by augmenting the eye's natural uveoscleral outflow. The Group is now preparing for the registration application to the CFDA for STARflo and expects to submit the application in 2014.

Mirtazapine orally disintegrating tablets (米氮平口崩片)

Mirtazapine is produced by Ehypharm of France. It is mainly used for the treatment of depressive episodes. It can dissolve in the mouth and be absorbed quickly without drinking water, suitable for patients suffering from psychosis, dementia or epilepsy or the elderly or children. The Group submitted the registration application to the CFDA for Mirtazapine in January 2011 and expects to receive relevant feedback by June 2014.

Ketipinor tablets (quetiapine fumarate) (喹硫平片)

Quetiapine fumarate is a new type of antipsychotic drug produced by Orion of Finland. It is applicable to the treatment of schizophrenia and moderate to severe manic episodes of bipolar disorder. It is also effective for alleviating both the positive symptoms and negative symptoms of schizophrenia. The Group submitted registration application to the CFDA for Ketipinor in August 2011 and expects to launch this product in China by 2016.

Topiramate tablets (托吡酯片)

Topiramate is produced by Pharmascience Inc. of Canada. It is a new antiepileptic drug whereby monosaccharide is substituted by sulfamate. It is commonly used in monotheropy for patients who are newly diagnosed with epilepsy or who have undergone concomitant medications. The product is also used in combination with other drugs for the management of patients with epilepsy who are not satisfactorily controlled by conventional therapy. The Group submitted the registration application to the CFDA for Topiramate in October 2012 and expects to launch this product in China by 2017.

2. Marketing Network Development

In addition to the expansion of product portfolio, the Group's development strategy focuses on continuously expanding the Group's marketing network. The Group's marketing and promotion model comprises of in-house marketing team and a team of third-party promotion partners. To maintain the efficiency and stability of marketing network, the Group has established sales and product manager teams to manage and support third-party promotion partners. The Group's marketing and promotional activities are carried out by in-house team and third-party promotion partners. The in-house team is primarily responsible for formulating the marketing and promotion strategies, conducting selected marketing programmes, and appointing, training and supervising the third-party promotion partners, who are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

The Group's marketing and promotion model leverages on the broad experience and geographic reach of the third-party promotion partners and enables the Group to market and promote a diverse range of healthcare products across different regions in China.

This model allows the Group to extend geographic coverage, maintain operational flexibility and reduce fixed and overall marketing and promotion costs.

For the year ended 31 December 2013, the Group recruited additional staff to the in-house marketing team. As of 31 December 2013, the Group had over 230 in-house marketing and promotion employees and nearly 1,000 third-party promotion partners.

Leveraging on existing marketing team, the Group expects to deepen penetration of hospitals in the existing network and further expand into additional new hospitals, including lower tier hospitals and smaller medical institutions.

As of 31 December 2013, the Group sold products through its nationwide marketing, promotion and channel management services networks to over 23,000 hospitals and other medical institutions (including 1,105, or 68.0% of Class III hospitals nationwide, 2,685, or 40.9% of Class II hospitals nationwide, and over 87,000 pharmacies) across 31 provinces, municipalities and autonomous regions in China.

The Group has been focusing on expanding its network of key opinion leaders in key therapeutic areas and increasing academic promotion activities in 2013.

As of 31 December 2013, the Group had established a network of over 1,300 key opinion leaders, whose views on products help lend credibility to marketing and promotion efforts of the Group.

In 2013, the Group organised more than 500 national and provincial medical or pharmaceutical conferences, symposiums and product seminars. These activities aimed at raising awareness and strengthening recognition of the Group's products.

3. Overseas Investments

For the year ended 31 December 2013, the Group made equity investments in several upstream overseas product suppliers to enhance the Group business relationships with these suppliers and to secure the relevant marketing, promotion and sale rights of their products.

3.1 Investment in NovaBay

NovaBay is a clinical-stage biotechnology company incorporated in Delaware, United States. Its shares are traded on the NYSE MKT. The Group commenced its business relationship with NovaBay in 2012 and was granted the exclusive right to market, promote and sell its NeutroPhase products in China and certain Southeast Asia markets in the same year. In 2012, by entering into an acquisition agreement with NovaBay through Pioneer Pharma (Singapore) Pte. Ltd. ("**Pioneer Singapore**"), a wholly-owned subsidiary of the Group, and by entering into a supply agreement with NovaBay through Naqu Area Pioneer Pharma Co., Ltd. ("**Naqu Pioneer**"), a wholly-owned subsidiary of the Group, the Group acquired 2,005,656 ordinary shares of NovaBay in aggregate, representing approximately 5.2% equity interest in NovaBay. The Group also acquired warrants to purchase 2,000,000 shares of NovaBay's common stock which were exercisable on 29 November 2013.

On 29 November 2013, through the entering into of a common stock purchase agreement between Pioneer Singapore and NovaBay, the Group acquired 5,000,000 Shares of NovaBay at an aggregate purchase price of US$5,700,000, and the warrants which were initially exercisable on 29 November 2013 to subscribe for 2,000,000 shares of NovaBay's common stocks were cancelled at the same time. As of 31 December 2013, the transaction was completed and the Group held 7,113,812 NovaBay Shares in total, representing approximately 15.7% equity interest in NovaBay.

The Group believes that the transaction will further enhance business co-operation with NovaBay and further improve the Company's prospects for renewing or extending its exclusive right granted by NovaBay to market, promote and sell NovaBay's products in China and certain Southeast Asia markets. As a result, pursuant to the common stock purchase agreement entered into on 29 November 2013, NovaBay has expanded its licensing rights granted to the Group to cover the promotion and sale of two new products, CelleRx™ (aesthetic dermatology) and i-Lid™ cleanser (ophthalmology) in China and certain Southeast Asia countries.

3.2 Investment in Q3

QualiMed Innovative Medizinprodukte GmbH ("**QualiMed**") is a company incorporated in Germany specialising in the design, development and manufacturing of medical devices. The Group entered into the first supply agreement with QualiMed in 2013 and was granted the exclusive right to market, promote and sell its TsunaMed products, which are medical devices used for the treatment of vascular diseases, in China and certain Southeast Asia markets.

To further enhance business cooperation with QualiMed and to improve the Company's prospects of renewing or extending exclusive right granted by QualiMed for certain of its products, the Group made various investments in QualiMed holding company, Q3 Medical Devices Limited ("**Q3**"), in 2013. In addition to QualiMed, Q3 also wholly controls amg International GmbH ("**AMG**"), another company incorporated in Germany which sells coronary and peripheral vascular products. As of 31 December 2013, the Group held approximately 24.4% equity interest in Q3.

4. Listing in Hong Kong

2013 represents a year of milestone for the Group. The Company's successful listing on the Main Board of the Stock Exchange on 5 November 2013 marks the Company's entry into the international capital markets. The Company's listing raises the Group's profile and provides the Group with an excellent platform to further capitalised on growth opportunities within China's healthcare industry.

As a Hong Kong listed company, the Company places great importance on investor relations. The Group strives to provide investors with information on a timely basis and continue to manage the Group in a transparent and effective manner. The Group will also actively seek to further enhance governance structure and strengthen the Group's internal control system to further enhance the Group's operating efficiency.

Future and Outlook

The Company was successfully listed on the Stock Exchange on 5 November 2013. This provides the Group with new opportunities and a new platform for business development. Looking forward, the Group will continue to strengthen position as a leading marketing, promotion and channel management service provider for imported pharmaceutical products and medical devices in China. The Group will also pursue a sustainable growth plan by focusing on two core development strategies, namely the further development and optimisation of product portfolio, and expansion and improvement of the Group's sales and marketing network.

The Group will adhere to a strategic product selection strategy to proactively identify products with high growth potential. Meanwhile, the Group will further explore opportunities to establish collaborative relationships with appropriate suppliers through strategic investments so as to competitively position the Group when securing or renewing marketing and promotion rights for pharmaceutical products and medical devices.

The Group intends to expand its marketing, promotion and channel management service network by penetrating into additional hospitals, local community health centres and pharmacies, and cross-selling products to additional departments within the hospitals and health centres. The Group also plans to continue to expand its marketing, promotion and channel management network by adding promotion partners and distributors in areas where the Group has limited or no presence.

The Group will continue to monitor its in-house team and third-party promotion partners, tailor the Group's marketing plans to target hospitals and target markets, and fine tune the division of coverage among its in-house team and promotion partners, in order to maximise market penetration and enhance the effectiveness of the Group's marketing and promotional activities. The Group will also continue to enhance the management and training of its in-house team and third-party promotion partners to ensure that accurate and updated product information is delivered to physicians.

The Group intends to augment its promotional efforts by organising more academic promotion events related to the Group's products.

The Group will continue to seek further co-operation opportunities for medical devices products. In 2013, the Group recorded strong results for the medical devices business, in particular, for ophthalmological medical devices business. The Group will continue to leverage on its strong momentum to promote the growth of medical devices business.

FINANCIAL REVIEW

Revenue

Revenue increased by 32.7% from RMB958.7 million in 2012 to RMB1,272.2 million in 2013. Revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services increased by 50.1% from RMB323.7 million in 2012 to RMB486.0 million in 2013, primarily due to (i) increased sales of certain of existing key products, including Fluxum and Difene, as a result of the expansion of coverage of these products through marketing network; (ii) increased sales of certain of products (Neoton and Easyhaler) of potential due to increased promotion efforts; (iii) increased sales of medical devices; and (iv) the overall growth of market demand for products. Products sold via the provision of co-promotion and channel management services increased by 23.8% from RMB635.0 million in 2012 to RMB786.2 million in 2013, primarily due to increased promotion efforts for the seven Alcon products for which the Group provided co-promotion services as well as the increasing market demand for Alcon products.

Cost of sales

Cost of sales increased by 35.8% from RMB652.0 million in 2012 to RMB885.6 million in 2013, primarily due to a substantial increase in sales. Cost of sales for products sold via the provision of comprehensive marketing, promotion and channel management services increased by 74.4% from RMB121.2 million in 2012 to RMB211.4 million in 2013. Cost of sales in products sold via the provision of co-promotion and channel management increased by 27.0% from RMB530.8 million in 2012 to RMB674.2 million in 2013.

Gross profit and gross profit margin

Gross profit increased by 26.0% from RMB306.7 million in 2012 to RMB386.6 million in 2013. The Group's average gross profit margin dropped from 32.0% in 2012 to 30.4% in 2013, primarily due to an increase in sales of medical device products covered under comprehensive marketing, promotion and channel management services, which have relatively low profit margin. The Group's gross profit margin from products sold via the provision of comprehensive marketing, promotion and channel management services decreased from 62.6% in 2012 to 56.5% in 2013. The sales of those products increased by 50.1% from 2012 to 2013, and accounted for 38.2% of the Group's total revenue in 2013 as compared to 33.8% in 2012. The Group's gross profit margin from products sold via the provision of co-promotion and channel management services decreased from 16.4% in 2012 to 14.2% in 2013, primarily due to the lowering of the maximum retail prices of certain pharmaceutical products by National Development and Reform Commission ("**NDRC**") in February 2013, which affected some of Alcon's products.

Other income

Other income increased by 85.7% from RMB26.6 million in 2012 to RMB49.4 million in 2013, primarily due to increase in government grants. The increase in government grants from RMB11.4 million in 2012 to RMB36.1 million in 2013 was primarily due to additional grants received by the Group's wholly-owned subsidiaries Naqu Pioneer and Xiantao City Pioneer Pharma Company Limited ("**Xiantao Pioneer**") in respect of taxes paid pursuant to local government's policies to encourage local business operations.

Distribution and selling expenses

Distribution and selling expenses increased by 10.5% from RMB92.1 million in 2012 to RMB101.8 million in 2013, primarily due to (i) an increase in marketing and promotion expenses from RMB56.9 million in 2012 to RMB58.1 million in 2013, primarily due to the increased efforts that the Group put in the marketing and promotion of products and a substantial increase in sales; and (ii) an increase in salaries and employee benefits for personnel engaged in marketing and promotion from RMB15.7 million in 2012 to RMB21.1 million in 2013, resulting from increased compensation to marketing and sales staff due to increased headcount and salary. Distribution and selling expenses as a percentage of revenue dropped from 9.6% in 2012 to 8.0% in 2013, primarily due to the fact that certain products of the Group have become more renowned in the market and therefore required proportionally less marketing and promotion expenses.

Listing Expenses

Listing expenses in 2013 was RMB32.2 million as compared to nil in 2012. Of such listing expenses so incurred, RMB12.9 million was charged to share premium account as share issuing expenses, and the remaining RMB19.3 million was recorded in the statement of comprehensive income as listing expenses. These listing expenses were incurred in connection with the Company's global offering and mainly include the professional fees paid to accountants, attorneys and valuers.

Administrative Expenses

Administrative expenses increased by 17.1% from RMB28.7 million in 2012 to RMB33.6 million in 2013 primarily due to an increase in average salaries and benefits for management and administrative staff consistent with expanded business activities. Administrative expenses as percentage of revenue decreased from 3.0% in 2012 to 2.6% in 2013.

Finance costs

Finance costs increased by 34.4% from RMB9.4 million in 2012 to RMB12.7 million in 2013 primarily due to increased average balance of bank borrowings of the Group.

Income tax expense

Income tax expense increased by 73.9% from RMB21.1 million in 2012 to RMB36.7 million in 2013. The Group's effective income tax rate in 2013 and 2012 was 13.5% and 10.2%, respectively. Since the beginning of 2012, the Group has been conducting business primarily through Naqu Pioneer, which was subject to a reduced EIT rate of 9% in 2012. The significant increase in income tax expense in 2013 is mainly due to the recognition of RMB7.5 million of PRC withholding tax pursuant to proposed payment of a final dividend of RMB142.5 million.

Profit for the year

As a result of the above factors, the Group's profit for the year increased by 26.9% from RMB185.7 million in 2012 to RMB235.8 million in 2013. The Group's net profit margin remained relatively stable at 18.5% in 2013 and 19.4% in 2012.

Liquidity and Capital Resources

Cash Position

The Group has historically met its working capital and other capital requirements principally from net cash flow with bank borrowings as supplement. The Group's cash and cash equivalents increased from RMB59.6 million on 31 December 2012 to RMB702.1 million on 31 December 2013.

For the year ended 31 December 2013, cash and cash equivalent increased mainly because of proceeds from the global offering of Shares of the Company and increase in working capital. The following table is a condensed summary of combined statements of cash flows:

	For the year ended 31 December	
	2013	2012
	RMB'000	RMB'000
Net cash from (used in) operating activities	**47,937**	120,758
Net cash from (used in) investing activities	**(112,568)**	(27,498)
Net cash from (used in) financing activities	**706,475**	(85,082)
Net increase (decrease) in cash and cash equivalents	**641,844**	8,178
Cash and cash equivalent at beginning of the year	**59,559**	51,356
Effect of foreign exchange rate fluctuation	**670**	25
Cash and cash equivalents at end of the year	**702,073**	59,559

Net cash from (used in) operating activities

In 2013, the Group's net cash from operating activities was RMB47.9 million which represented a 60.3% decrease as compared to RMB120.8 million in 2012. It was mainly due to the relatively long credit period for medical devices, sales size of which has been expanded since 2013, and the increase in inventories for which the registration certificates were due for renewal in order to ensure the Group held sufficient supply in case the renewal was delayed.

Net cash from (used in) investing activities

In 2013, the Group's net cash used in investing activities was RMB112.6 million, which represented a 309.4% increase as compared to RMB27.5 million in 2012. It was mainly due to the fact that Group had entered into a Chinese RMB structured note on 20 December 2013 in an amount of RMB20 million and a six month fixed rate certificate of deposit in an amount of RMB60 million that carried an interest rate of 2.30%, with maturity date on 21 June 2014.

Net cash from (used in) financing activities

In 2013, the Group's net cash from financing activities was RMB706.5 million as compared to net cash used in financing activities of RMB85.1 million in 2012. It was mainly due to the receipt of proceeds from the global offering of Shares of the Company.

Bank Borrowings and Gearing Ratio

The Group had total bank borrowings of RMB429.5 million as at 31 December 2013 as compared to RMB416.2 million as at 31 December 2012. On 31 December 2013, the effective interest rate of the Group's bank borrowings ranged from 1.00% to 7.28%, and 0.5% of the Group's bank borrowings were denominated in Renminbi while 99.5% were denominated in US Dollars. On 31 December 2013, bank borrowings of RMB429.5 million were secured under the pledge of the Group's bills receivables and bank deposits. On 31 December 2012, bank borrowings of RMB391.1 million were secured under the pledge of the Group's bills receivables, bank deposits and buildings.

Net Current Assets

	As at 31 December	
	2013 **RMB'000**	2012 RMB'000
Current Assets		
Inventories	**419,844**	295,862
Finance lease receivables	**4,733**	1,323
Trade and other receivables	**331,028**	200,097
Amounts due from related parties	**–**	–
Tax recoverable	**192**	875
Prepaid lease payments	**52**	52
Structured note	**19,829**	–
Derivative financial instruments	**–**	2,618
Pledged bank deposits	**304,282**	294,726
Restricted bank deposits	**–**	11,862
Certificate of deposit	**60,000**	–
Bank balances and cash	**702,073**	59,559
	1,842,033	866,974
Current Liabilities		
Trade and other payables	**360,742**	290,840
Amounts due to related parties	**10,603**	460
Tax liabilities	**424**	3,823
Bank and other borrowings	**429,545**	416,220
Derivative financial instruments	**–**	1,162
Provision	**4,222**	3,223
	805,536	715,728
Net Current Assets (Liabilities)	**1,036,497**	151,246

As of 31 December 2013, the Group had sufficient working capital and financial resources for daily operation.

Inventories

The Group's inventory balances increased by 41.9% from RMB295.9 million as at 31 December 2012 to RMB419.8 million as at 31 December 2013, primarily due to the significant increase in business volume pursuant to which the Group increased overall inventory levels in order to accommodate the increasing number of the hospitals covered by its sales network.

Trade and Other Receivables

The Group's trade and other receivables increased by 65.4% from RMB200.1 million as at 31 December 2012 to RMB331.0 million as at 31 December 2013, primarily due to the substantial growth of sales revenue in 2013. Simultaneously, trade receivables turnover days increased from 41.8 days as at 31 December 2012 to 48.4 days as at 31 December 2013, primarily due to the relatively longer credit periods granted to customers for the purchase of medical devices, for which the Group increased sales of in 2013.

Trade and Other Payables

The Group's trade and other payables increased by 24.0% from RMB290.8 million as at 31 December 2012 to RMB360.7 million as at 31 December 2013. The increase in trade and other payables was in line with the Group's business expansion and increase in inventories. The Group's trade payables turnover days decreased from 126.5 days as at 31 December 2012 to 116.0 days as at 31 December 2013, primarily due to the relatively shorter credit period for the purchasing of medical devices, for which the Group increased purchases for in 2013.

Capital Expenditure

The following table sets out capital expenditure:

	For the year ended 31 December	
	2013 RMB'000	2012 RMB'000
Purchases of property, plant and equipment	**16,032**	757
Purchases of intangible assets	**–**	11,709
Total	**16,032**	12,466

Indebtedness

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as of the dates indicated, based on undiscounted contractual payments:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
As of 31 December 2013			
Bank borrowings	429,545	–	429,545
Trade payables	318,618	–	318,618
As of 31 December 2012			
Bank borrowings	416,220	–	416,220
Trade payables	244,356	–	244,356

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2013.

The Group is gearing ratio, calculated as bank borrowings divided by total assets, decreased from 44.8% as at 31 December 2012 to 21.5% as at 31 December 2013. The significant decrease in gearing ratio mainly reflects proceeds received from the Company's global offering of shares.

Market Risks

The Group is exposed to various types of market risks, including the interest rate fluctuation risk, foreign exchange risk and credit risk in the normal course of business.

Dividend

No dividend has been declared or paid during the year ended 31 December 2013. The Board resolved to recommend the payment of a final dividend of RMB10.7 cents per share (equivalent to HKD13.5 cents per share), subject to the approval of the Shareholders in the forthcoming AGM to be held on 9 May 2014.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2013, the Group had a total of 334 employees. For the year ended 31 December 2013, the staff costs of the Group was RMB35.4 million as compared to RMB25.2 million for the year ended 31 December 2012.

The Group's employee remuneration policy is determined by taking into account of factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and the employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary review and promotional assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the year ended 31 December 2013.

Director and Senior Management

EXECUTIVE DIRECTORS

LI Xinzhou (李新洲), aged 51, is our chairman, executive Director and chief executive officer. Mr. Li is the founder of our Group and joined Poineer Pharma Shareholding Company Limited ("Pioneer Pharma"), our initial corporate entity, in July 1996 as its general manager and chairman, responsible for managing the operations and planning and formulating our Group's strategies. Mr. Li has over 17 years of experience in the pharmaceutical services industry. Under Mr. Li's leadership, our Group has received numerous awards and recognitions. In addition, Mr. Li has been the Asia-Pacific Advisor to the board of directors of NovaBay, one of our suppliers and also a company in which we held approximately 15.7% equity interest as at the 31 December 2013, since October 2012, providing his vision and strategic thinking for the entry of NovaBay's products into China and Southeast Asia markets as well as thoughts with respect to the collaboration between NovaBay and our Group.

Mr. Li also has over 20 years of experience in international trading and management. Prior to joining our Group, Mr. Li worked at the Hainan branch of Sumitomo Corporation. From August 1984 to August 1988, Mr. Li worked as an English translator at China Offshore Oil Nanhai West Corporation (中海油南海西部公司) and from July 1981 to August 1984, he worked as an English teacher at Jianghan Oil Field Dongfanghong High School (江漢油田東方紅學校). Mr. Li had held various positions in trade associations throughout the years. He was the vice chairman of the Hainan General Chamber of Commerce (海南省總商會) and the standing vice president of Hainan Hubei Chamber of Commerce (海南省湖北商會). He had also served as a member of the Chinese People's Political Consultative Conference Hainan Committee (海南省政協). Mr. Li graduated from Jianghan Petroleum Normal School (江漢石油師範學校) with a diploma in English in July 1981. He also studied at the China Europe International Business School. Mr. Li is also the chairman of Nomination Committee.

ZHU Mengjun (朱夢軍), aged 43, is our executive Director, deputy general manager and chief financial officer. Mr. Zhu joined our Group in March 1998 and served as Pioneer Pharma's chief accountant and manager of finance department between 1998 and 2002. Mr. Zhu was appointed as the chief financial officer of Pioneer Pharma in February 2002, the deputy general manager in January 2004 and a director of Pioneer Pharma in August 2006. He is responsible for the financial and accounting management of our Group.

Mr. Zhu has over 17 years of experience in accounting and corporate finance. Prior to joining our Group, Mr. Zhu worked at Shanghai Yangtze Non-ferrous Metals Co., Ltd. (上海長江有色金屬有限公司). Mr. Zhu obtained a master's degree of professional accountancy in The Chinese University of Hong Kong in December 2007. Mr. Zhu was awarded a certificate of accounting professional (mid-level) by Shanghai Hongkou Finance Bureau (上海市虹口財政局) in September 2002 and has been a member of the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) since April 1998.

NON-EXECUTIVE DIRECTORS

LU Yuan (盧源), aged 40, is our non-executive Director. Mr. Lu has approximately seven years of experience in the pharmaceutical industry. Mr. Lu joined our Group in October 2001 and served as the vice president, secretary of the board and a director of Pioneer Pharma. Mr. Lu has been the managing director and a partner of Bridge Focus Private Equity Fund since July 2011. He worked at Wan Xiang Telecommunication Co., Ltd. between March 2006 and February 2007. Mr. Lu is the chief financial officer of Beijing Health Online Internet Technology Co., Ltd. between February 2005 and February 2006. He worked at Deloitte Touche Tohmatsu Shanghai CPA from November 1999 to June 2001. Between May 1998 and May 1999, Mr. Lu worked at Shen Yin & Wan Guo Securities Co., Ltd. Mr. Lu obtained a bachelor's degree in economics from Shanghai University of Finance and Economics in June 1996 and an executive master's degree in business administration from Cheung Kong Graduate School of Business in October 2009.

WU Mijia (吳米佳), aged 40, is our non-executive Director. Mr. Wu has over 10 years of experience in finance and investment. He has been the managing director of Shanghai Ceton Investment Management (上海策通投資管理有限公司) since June 2008. Prior to that, Mr. Wu served as a director at UBS AG, Hong Kong Branch between May and August in 2007 and a vice president at BNP Paribas Hong Kong between September 2005 and December 2006. He was an assistant vice president at ABN AMRO Bank (China) Co., Ltd. where he worked between October 2002 and June 2005. Mr. Wu graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) with a bachelor's degree in international business in June 1996. Mr. Wu obtained a master's degree in business administration in the Manchester Business School of University of the Manchester in June 2001 and an executive master's degree in business administration in Cheung Kong Graduate School of Business (長江商學院) in October 2012. Mr. Wu is a member of the Audit Committee.

ZHANG Wenbin (張文彬), aged 48 is our non-executive Director. Mr. Zhang has working experience in the pharmaceutical industry. He has been the legal representative of Changzhou Zhihongtaida Pharmaceutical Technology Company Limited (常州智宏泰達醫藥科技有限公司) since June 2009. Mr. Zhang graduated from Hohai University (河海大學) majoring in mechatronics in July 1995. Mr. Zhang is a member of the Remuneration Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

XU Zhonghai (徐中海), aged 52, is our independent non-executive Director. Mr. Xu has been a professor in chemistry at Yueyang Vocational Technical College (岳陽職業技術學院) since March 1998. Prior to that, Mr. Xu worked at Tibet Autonomous Region Health Department (西藏自治區衛生廳) until March 1998, mainly responsible for management of professional medical staff and assessment of medical technical qualification, and a chief inspector at Tibet Autonomous Region Health and Epidemic Prevention Station (西藏自治區衛生防疫站) starting in March 1989, mainly responsible for inspection of environmental sanitation and food hygiene. From July 1986 and March 1989, Mr. Xu worked as a teacher at Tibet Autonomous Region Nyingchi Area Middle School (西藏自治區林芝地區中學). Mr. Xu graduated from Hunan Normal University (湖南師範大學) with a bachelor's degree in chemistry in July 1986 and a master's degree in analytical chemistry in January 2008. Mr. Xu was awarded a professor title by Hunan Province Human Resources Department (湖南省人事廳) in November 2008. Mr. Xu is the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

LAI Chanshu (賴展樞), aged 66, is our independent non-executive Director. Mr. Lai is experienced in the pharmaceutical industry. He worked as the general manager Taiwan market at Alcon Pharmaceuticals Ltd. (愛爾康藥品(股份)公司) between January 1975 and February 2002. Mr. Lai graduated from Taipei Medical University (臺北醫學大學) with a bachelor's degree in pharmacy in June 1971. Mr. Lai has been a registered pharmacist registered with the Department of Health of Republic of China (中華民國行政院衛生署) since April 1972. Mr. Lai is a member of the Remuneration Committee and a member of the Nomination Committee.

WONG Chi Hung, Stanley (黃志雄), aged 51, is our independent non-executive Director. Mr. Wong has experience in auditing, accounting and financial advisory services. He has been an independent non-executive director of Huafeng Group Holdings Limited since July 2012 and an independent non-executive director of Great Wall Motor Company Limited since November 2010. Mr. Wong has served as a chief financial officer of Hongri International Holdings Company Limited (紅日國際控股有限公司) since November 2009. He served as a chief executive officer of China Biologic Products, Inc. between March 2007 and May 2008 and a consultant of the same company between June 2008 and December 2008. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from University of Kent and an EMBA from Peking University. He is also a qualified independent director recognised by the Shanghai Stock Exchange. Mr. Wong is the chairman of the Audit Committee.

SENIOR MANAGEMENT

HUANG Wenfei (黃文斐), aged 44, is our deputy general manager. Ms. Huang joined our Group in 1998 and worked as a manager of our commerce department between 1998 and 2004 and a sales director in 2004. She was appointed as our deputy general manager in October 2004 and a director of Pioneer Pharma in April 2011, responsible for various aspects of our business, including human resources, administration, product registration, purchase, logistics, product quality, commerce and government affairs. Ms. Huang has nearly 20 years of working experience in the pharmaceutical industry. Prior to joining our Group, she worked at Shanghai Xudong Haipu Pharmaceutical Co., Ltd. (旭東海普藥業有限公司) and Shanghai Eighteenth Pharmaceutical (上海第十八製藥廠). Ms. Huang obtained an executive master's degree in business administration by Tongji University (同濟大學) in March 2009.

LIU Xuefeng (劉雪峰), aged 38, is our business development director. Mr. Liu joined our Group in September 2008 and was appointed as our business development director in April 2012, mainly responsible for sourcing new products and exploring business opportunities. Mr. Liu has over nine years working experience in the pharmaceutical industry. Prior to joining our Group, Mr. Liu was a medical representative at AstraZeneca (Wuxi) Trading Co. Ltd. (阿斯利康（無錫）貿易有限公司) between January 2008 and August 2008, responsible for promoting medical and pharmaceutical products knowledge to customers. Mr. Liu worked as an assistant secretary-general and head of international council at Chinese Society of Biochemistry and Molecular Biology (中國生物化學與分子生物學會) starting in July 2005. Between August 1999 and September 2002, he worked at Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司). Mr. Liu was awarded with a bachelor's degree in biopharming by China Pharmaceutical University (中國醫科大學) in July 1999 and a master's degree in microbiology and biochemical pharmacy by Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in July 2005.

SHI Gang (施剛), aged 40, is our deputy general manager and sales director. Mr. Shi joined our Group in March 2005 and was appointed as our sales director in March 2008, a deputy general manager in May 2009 and a director of Pioneer Pharma in April 2011. Mr. Shi has been responsible for the sales and marketing of our products, in particular in southern China. He has over eight years working experience in the pharmaceutical industry. Mr. Shi was a doctor at Shanghai Jing'an District Centre Hospital (上海市靜安區中心醫院) starting in July 1997. Mr. Shi was awarded with a bachelor's degree in basic medicine science by Shanghai Medicine College (上海醫科大學) in July 1997 and an executive master's degree in business administration by Fudan University (復旦大學) in June 2011.

WANG Tao (汪韜), aged 43, is our marketing director. Mr. Wang joined our Group in September 2001 and worked as a product manager and marketing manager between September 2001 and December 2002. Mr. Wang was appointed as our marketing director in January 2003, responsible for formulating and implementing marketing plans and strategies, training and supporting sales team in marketing activities, as well as preparing promotion tools. Mr. Wang has over 14 years working experience in the pharmaceutical industry. Prior to joining our Group, Mr. Wang worked at Shanghai Hanyin Pharmaceutical Co., Ltd. (上海漢殷藥業有限公司) between January 1999 and September 2001. Mr. Wang was awarded with a bachelor's degree in clinical medicine by Xinxiang Medical University (新鄉醫學院) in July 1993 and an executive master's degree in business administration from Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰管理學院) in December 2011.

YANG Xiuyan (楊秀顏), aged 51, is our deputy general manager and sales director. Ms. Yang joined our Group in December 1998 and worked as the manager for Shandong and Northern area in PRC between 1998 and 2012. She was appointed as our deputy general manager and sale director in January 2013 and is responsible for the sales and marketing of our Group, in particular in Northern China. She has nearly 15 years working experience in the pharmaceutical industry. Prior to joining our Group, Ms. Yang worked at Boli People's Hospital of Heilongjiang Province (黑龍江省勃利人民醫院). Ms. Yang was awarded with a bachelor's degree in clinical medicine by the Binzhou Medical University (濱州醫學院) in July 1986.

JOINT COMPANY SECRETARY

MIN Le (閔樂), aged 32, is a joint company secretary of the Company. Mr. Min joined our Group in July 2013 and serves as the secretary of the Board. Mr. Min is a PRC non-practising certified public accountant and has over five years of experience in the financing and accounting field. Mr. Min worked as the chief accountant at Carrefour (China) Management & Consulting Service Co., Ltd. between October 2011 to June 2013, mainly responsible for preparing budgets and financial closing and designing, streamlining and improving financial and accounting process. Prior to that, he worked at Shanghai Zhonghua Certified Public Accountants (上海眾華滬銀會計師事務所) as a project manager between March 2006 and September 2011, mainly responsible for annual financial auditing and financial consulting. Mr. Min graduated from the East China University of Science and Technology (華東理工大學) with a bachelor's degree in environmental engineering in June 2003 and from the Tong Ji University (同濟大學) with a master's degree in environmental engineering in March 2006.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2013.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 5 February 2013 as an exempted company with limited liability under the Companies Law of the Cayman Islands (the "Companies Law"). The Company's shares (the "Shares") were listed (the "Listing") on the Stock Exchange on 5 November 2013 ("Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the provision of comprehensive marketing, promotion and channel management service for imported pharmaceutical products and medical devices in China. The analysis of the revenue of the principal activities of the Group during the year ended 31 December 2013 is set out in the note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated Statement of Profit or Loss and Other Comprehensive Income on page 54 of this annual report.

FINAL DIVIDENDS

The Board, during its meeting held on Tuesday, 25 March 2014 recommended the payment of a final dividend of RMB0.107 (equivalent to HKD0.135) per Share for the year ended 31 December 2013 to the Shareholders whose names appear on the Company's register of members on Thursday, 15 May 2014. The final dividend will be payable on or after Friday, 23 May 2014 and is subject to the approval of Shareholders at the forthcoming AGM to be held on Friday, 9 May 2014.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 29 April 2014 (Tuesday) to 8 May 2014 (Thursday), both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on 9 May 2014 (Friday). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 28 April 2014 (Monday).

The register of members of the Company will also be closed on 15 May 2014 (Thursday), in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 14 May 2014 (Wednesday).

FINANCIAL SUMMARY

A summary of the Group's results, assets, liabilities for the last four financial years are set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing (after deducting underwriting fees and related listing expenses) amounted to approximately HKD1,307.8 million, which are intended to be applied in the manner consistent with that in the Company's prospectus (the "Prospectus") dated 24 October 2013.

The table below sets out the Company's planned use of the net proceeds at the time of Listing and its use of such net proceeds as at 31 December 2013:

	Planned use of net proceeds at Listing	Net proceeds used as at 31 December 2013
Continue expanding the business operations and enhance the marketing promotion and sales capabilities of the Group	30.0%	0%
Enlarge the product portfolio	25.0%	16.8%
Upgrade existing, and construct new, warehousing and logistics facilities in Hubei province	15.0%	0%
Fund purchase of imported pharmaceutical products and medical devices from overseas suppliers	15.0%	97.8%
The working capital and other general corporate purpose	10.0%	97.4%
Change, improve or upgrade both hardware and software of the information management systems	5.0%	0%
Total	100.0%	28.6%

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2013, the Group's products purchased from the largest supplier, accounted for 80.5% (2012: 79.7%) of total products purchased, and products purchased from five largest suppliers accounted for 93.1% (2012: 94.5%) of our total products purchased.

For the year ended 31 December 2013, the Group's sales to largest customer accounted for 4.2% (2012: 4.3%) of our revenue, and sales to the five largest customers accounted for 17.2% (2012: 17.5%) of our total revenue.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2013 are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2013 are set out in note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2013 are set out on page 58 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands and the Company's articles of associations, amounted to approximately RMB166.6 million (as at 31 December 2012: RMB88.5 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 30 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2013 and up to the date of this report were:

Executive Directors:

Mr. Li Xinzhou *(Chairman and Chief Executive Officer)* (appointed on 14 February 2013)
Mr. Zhu Mengjun *(Deputy General Manager and Chief Financial Officer)* (appointed on 16 October 2013)

Non-executive Directors:

Mr. Lu Yuan (appointed on 16 October 2013)
Mr. Wu Mijia (appointed on 16 October 2013)
Mr. Zhang Wenbin (appointed on 16 October 2013)

Independent non-executive Directors:

Mr. Xu Zhonghai (appointed on 16 October 2013)
Mr. Lai Chanshu (appointed on 16 October 2013)
Mr. Wong Chi Hung, Stanley (appointed on 16 October 2013)

In accordance with article 99(3) of the articles of association of the Company, Mr. Li Xinzhou (the "Chairman"), Mr. Zhu Mengjun, Mr. Lu Yuan, Mr. Wu Mijia, Mr. Zhang Wenbin, Mr. Xu Zhonghai, Mr. Lai Chanshu, Mr. Wong Chi Hung, Stanley will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to the Shareholders.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 30 to 33 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent since the Listing Date up to the year ended 31 December 2013.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors has entered into a service agreement with the Company on 16 October 2013 for a term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party to the other.

Each of the non-executive and independent non-executive Directors has signed a letter of appointment on 16 October 2013 for an initial term of three years commencing from the Listing Date.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 29 to the consolidated financial statements and in the section "Connected transactions" below, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2013.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2013.

EMPLOYEES AND EMOLUMENT POLICY

As of 31 December 2013, the Group had an aggregate of 334 full-time employees. The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in notes 14 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the period from the Listing Date up to the year ended 31 December 2013, there was no changes to information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Nature of Interest	Number and class of Shares[2]	Approximate percentage of shareholding
Li Xinzhou	Beneficial owner	500,000 (L)	0.04%
	Interest of controlled corporation[1]	999,454,000 (L)	74.96%
Zhu Mengjun	Beneficial owner	420,000 (L)	0.03%

Notes:

1. Mr. Li Xinzhou and his wife Ms. Wu Qian together own 97% issued share capital of Pioneer Pharma (BVI) Co., Ltd. which holds 999,454,000 shares in the Company.

2. The letter "L" denotes long position in such securities.

Save as disclosed above, as at 31 December 2013, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2013 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2013, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares[3]	Approximate percentage of shareholding
Wu Qian	Interest of spouse[1]	500,000 (L)	0.04%
	Interest of controlled corporation[2]	999,454,000 (L)	74.96%
Pioneer Pharma (BVI) Co., Ltd.	Beneficial owner	999,454,000 (L)	74.96%

Notes:

1. The 500,000 shares are held by Mr. Li Xinzhou, Ms. Wu Qian's husband.
2. Ms. Wu Qian and her husband Mr. Li Winzhou together held 97% issued share capital of Pioneer Pharma (BVI) Co., Ltd. which holds 999,454,000 shares in the Company.
3. The letter "L" denotes long position in such securities.

Save as disclosed above, and as at 31 December 2013, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of Mr. Li Xinzhou, Ms. Wu Qian and Pioneer Pharma (BVI) Co., Ltd. (the "Controlling Shareholders") has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company conduct any business in the PRC or overseas, that it is in competition with, or is likely to be in competition with, the business carried on by any member of the Group).

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the period from the Listing Date to 31 December 2013. The independent non-executive Directors, after reviewing the deed of non-competition and whether the Controlling Shareholders have abided by the non-competition undertaking, confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking from the Listing Date to 31 December 2013.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2013, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the businesses of the Group.

CONNECTED TRANSACTION

Following the Listing, the transactions between the Group and certain connected persons of the Group became continuing connected transactions. The Company has applied and the Stock Exchange has granted a waiver from, among others, strict compliance with the announcement and/or Shareholders' approval requirements under Rule 14A.42(3) of the Listing Rules for the continuing connected transactions set out in the Prospectus.

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirement of Chapter 14A of the Listing Rules:

EXEMPT CONNECTED TRANSACTIONS

1. Shareholder Loan From Mr. Yuen Seng Cheong ("Mr. Yuen") to Shanghai Pioneer Ruici Medical Facilities Company Limited ("Pioneer Ruici")

Mr. Yuen is a connected person of the Company by virtue of being a director of each of Pioneer Pharmas (Singapore) Pte. Ltd ("Pioneer Singapore"), Pioneer Medical (HK) Company Limited ("Pioneer Medical (HK)") and Pioneer Medident (SE Asia) Pte. Ltd ("Pioneer Medident"), and a substantial shareholder of each of Pioneer medical (HK) and Pioneer Medident.

On 31 May 2013, Mr. Yuen and Poineer Ruici entered into a loan agreement (the "Loan Agreement I") which recorded that Mr. Yuen has lent a shareholder loan in a total amount of RMB0.4 million to Pioneer Ruici. The shareholder loan is for a period of five years and repayable on 13 August 2017, and bears no interest.

During the year, the amount payable under Loan Agreement I is nill.

2. Shareholder Loan from Mr Yang Zhiyu ("Mr. Yang") to Pioneer Ruici

Mr. Yang is a connected person of the Company by virtue of being a director and a substantial shareholder of Pioneer Ruici.

On 28 May 2013, Mr. Yang and Pioneer Ruici entered into a loan agreement (the "Loan Agreement II") which recorded that Mr. Yang has lent a shareholder loan in a total amount of RMB60,000 to Pioneer Ruici. The shareholder loan is for a period of five years and repayable on 13 August 2017, and bears no interest.

During the year, the amount payable under Loan Agreement II is nill.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

3. Lease of Vehicles from Pioneer Pharma

Pioneer Pharma is a connected person of the Company since it is majority owned by Mr. Li Xinzhou, an executive Director.

Pursuant to a vehicle lease agreement (the "Lease Agreement") entered into on 6 June 2013 between Naqu Area Pioneer Pharma Co., Ltd ("Naqu Pioneer") and Pioneer Pharma, Pioneer Pharma leases two vehicles to Naqu Pioneer for a monthly rental of RMB3,000 per vehicle. The term of the Lease Agreement is for a period of three years commencing from 1 July 2013 and ending on 30 June 2016.

During the year, the amount payable under Lease Agreement is RMB36,000.

4. Lease of Office Premises from Pioneer Pharma

Pioneer Pharma is a connected person of the Company since it is majority owned by Mr. Li Xinzhou ("Mr. Li"), an executive Director.

Pursuant to a tenancy agreement (the "Tenancy Agreement I") entered into on 6 June 2013 between Naqu Pioneer and Pioneer Pharma, Pioneer Pharma leases certain office premises at Rooms 2101–2202 and 2103–2203, Block C, World Trade Centre, No. 2 World Trade East Road, Haikou, Hainan province, the PRC with a gross floor area of 1,289.08 sq.m. to Naqu Pioneer as office premises for a monthly rental of RMB15,000. The term of the Tenancy Agreement I is for a period of three years commencing from 1 July 2013 and ending on 30 June 2016.

During the year, the amount payable under Tenancy Agreement I is RMB90,000.

5. Lease of Head Office from Xinzhou Investment

Yangpu Xinzhou Investment Company Limited ("Xinzhou Investment") is a connected person of the Company since it is owned as to 60% by Mr. Li Xinzhou and 40% by Ms. Wu Qian, wife of Mr. Li, each a Controlling Shareholder.

Naqu Pioneer and Xinzhou Investment entered into a tenancy agreement (the "Tenancy Agreement II") on 19 June 2013 pursuant to which Xinzhou Investment leases a building located at No. 1000, Wangqiao Road, Pudong New District, Shanghai with a gross floor area of 2,229.61 sq.m. to Naqu Pioneer for a monthly rental of RMB50,000. The term of the Tenancy Agreement II is for a period of three years commencing on 1 July 2013 and ending on 30 June 2016.

During the year, the amount payable under Tenancy Agreement II is RMB300,000.

CHARITABLE DONATIONS

During the period from the Listing Date up to the year ended 31 December 2013, the Group made no charitable and other donations.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 38 to the audited consolidated financial statements in this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in the responsibility of disclosure under Rule 13.20 of the Listing Rules regarding the provision of advance by the Company to an entity.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor in matters within the scope of the group audit.

The annual results for the year ended 31 December 2013 of the Company have been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct during the period from the Listing Date to 31 December 2013.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 44 to 52 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this report.

AUDITOR

Deloitte Touche Tohmatsu has acted as auditor of the Company for the year ended 31 December 2013.

Deloitte Touche Tohmatsu shall retire in the forthcoming AGM and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Mr. Li Xinzhou
Chairman

Hong Kong, 25 March 2014

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save for the deviation disclosed in this report, the Company has complied with the code provisions as set out in the CG Code since the Listing Date and up to the date of this annual report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Under code provision A.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against the Directors. The Company has not provided liability insurance for the Directors since the Listing Date up to the year ended 31 December 2013 as the Company has been in the process of identifying and selecting an appropriate insurance package most suitable for the Directors. The Company understands the importance of arranging liability insurance coverage for the Directors and will endeavor to complete the insurance arrangement as soon as practicable.

Board Composition

The Board currently comprises two executive Directors, namely Mr. Li Xinzhou and Mr. Zhu Mengjun, three non-executive Directors, namely Mr. Lu Yuan, Mr. Wu Mijia and Mr. Zhang Wenbin and three independent non-executive Directors, namely Mr. Xu Zhonghai, Mr. Lai Chanshu and Mr. Wong Chi Hung, Stanley. The biographies of the Directors are set out under the section headed "Director and Senior Management" of this annual report.

Since the Listing Date and up to the date of this annual report, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Pursuant the code provision A.5.6 of the CG Code, listed issuers are required to adopt a board diversity policy. The Board has adopted the board diversity policy and summary of the board diversity policy is set out below:

The Company establishes the Board Diversity Policy according to the Corporate Governance Code and Corporate Governance Report contained in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. This Policy aims to set out the approach to achieve diversity on the Company's board of directors.

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as essential elements in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board should have a balance of skills, and experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

None of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations. The Company will also arrange regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2013, all Directors participated in continuous professional development to develop and refresh their knowledge and skills. The Company's external lawyers had facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received this training. The joint company secretaries of the Company from time to time update and provide written training material relating to the roles, functions and duties of a Director and all the aforesaid Directors study such materials, and they are asked to submit a signed training record to the Company on an annual basis.

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals. Under the current organization structure of the Company, Mr. Li Xinzhou is the chairman of the Board and chief executive officer of the Company. With extensive experience in the pharmaceutical products and medical devices industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Appointment and Re-Election of Directors

Each of the executive Directors has entered into a service agreement with the Company on 16 October 2013 for a term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other.

Each of the non-executive and independent non-executive Directors has signed a letter of appointment with the Company dated 16 October 2013, for an initial term of three years commencing from the Listing Date, and the term of appointment will be automatically renewed for an additional one year after the expiry of the initial term.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Company's articles of association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy shall submit himself for election by Shareholders at the first general meeting of the Company after appointment and new Directors appointed as an addition to the Board shall submit himself for re-election by Shareholders at the next following AGM of the Company after appointment.

The procedures and process of appointment, re-election and removal of directors are set out in the Company's articles of association. The Nomination Committee is responsible for reviewing the Board composition, monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the joint company secretaries of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and committee meetings are recorded in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by Directors.

Since the Listing Date and up to the date of this annual report, 1 board meeting was held and the attendance of the individual Directors at this meeting is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Li Xinzhou	1/1
Mr. Zhu Mengjun	1/1
Mr. Lu Yuan	1/1
Mr. Wu Mijia	1/1
Mr. Zhang Wenbin	1/1
Mr. Xu Zhonghai	1/1
Mr. Lai Chanshu	1/1
Mr. Wong Chi Hung, Stanley	1/1

Since the Listing Date and up to the date of this annual report, a meeting of the Board was held with the presence of all Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has complied with the Model Code since the Listing Date and up to the year ended 31 December 2013.

Delegation by the Board

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and delegated the corporate governance duties to the Nomination Committee which include:

a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of directors and senior management;

c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;

e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance Shareholders' relationship with the Company.

Since the Listing Date and up to the date of this annual report, the Company has updated the compliance manuals on notifiable transactions and inside information in accordance with the Listing Rules as guideline for its employees to report unpublished inside information to the Company to ensure consistent and timely disclosure and fulfillment of the Company's continuous disclosure obligations.

BOARD COMMITTEES

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Li Xinzhou (chairman), Mr. Xu Zhonghai and Mr. Lai Chanshu, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes
- To identify suitable candidates for appointment as directors
- To make recommendations to the Board on appointment or re-appointment of and succession planning for directors
- To assess the independence of independent non-executive directors

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to the date of this annual report, 1 meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Li Xinzhou	1/1
Mr. Xu Zhonghai	1/1
Mr. Lai Chanshu	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors during the year.

Remuneration Committee

The Remuneration Committee comprises three members, namely Xu Zhonghai (chairman), Mr. Zhang Wenbin and Mr. Lai Chanshu, the majority of them are independent non-executive Directors.

The primary duties of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management/ to determine remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

Since the Listing Date and up to the date of this annual report, 1 meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Xu Zhonghai	1/1
Mr. Zhang Wenbin	1/1
Mr. Lai Chanshu	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, and make recommendations to the Board on the remuneration packages of individual executive Directors and senior management during the year.

Details of the remuneration by band of the 6 members of the senior management of the Company, whose biographies are set out on pages 30 to 33 of this annual report, for the year ended 31 December 2013 are set out below:

Remuneration band (RMB'000)	Number of individual
Less than 500	3
500–1,000	3

Audit Committee

The Audit Committee comprises three members, namely Mr. Wong Chi Hung, Stanley (chairman), Mr. Wu Mijia and Mr. Xu Zhonghai, the majority of them are independent non-executive Directors. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function

Since the Listing Date and up to the date of this annual report, 2 meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/Eligible to attend
Mr. Wong Chi Hung, Stanley	2/2
Mr. Wu Mijia	2/2
Mr. Xu Zhonghai	2/2

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor during the year. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor.

They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. Their written terms of reference are available on the websites of the Company and the Stock Exchange.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 53 of this annual report.

INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate internal control system to safeguard shareholder investments and Company assets and reviewing the effectiveness of such system on an annual basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the financial condition and internal control of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis.

The Board has conducted a review of the effectiveness of the internal control system of the Company and considered the internal control system to be effective and adequate.

AUDITOR'S REMUNERATION

Annual audit fees of the Group for the year ended 31 December 2013 payable to the external auditor are approximately HKD1.6 million. The Company incurred approximately HKD6.1 million in 2013 for services provided by external auditor in connection with the Initial Public Offering of the Company's shares and for non-audit services related to tax consultation in 2013 was null.

COMPANY SECRETARY

Mr. Min Le, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Yung Mei Yee, senior manager of KCS Hong Kong Limited (a company secretarial service provider), as its joint company secretary of the Company to assist Mr. Min Le to discharge his duties as company secretary of the Company. The primary corporate contact person at the Company is Mr. Min Le, the joint company secretary of the Company.

Since the Listing Date and up to the date of this annual report, Mr. Min Le and Ms. Yung Mei Yee have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The AGM provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company, the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Since the Listing Date up to 31 December 2013, no AGM or extraordinary general meeting was held.

The 2014 AGM will be held on Friday, 9 May 2014. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.pioneer-pharma.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each shareholder meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Company's articles of association. As regards proposing a person for election as a director, the procedures are available on the websites of the Company and the Stock Exchange.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at Flat 2605, 26/F Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong (email address: ir@pioneer-pharma.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

There is no change in the memorandum and articles of association of the Company since the Listing Date.

Independent Auditor's Report

TO THE SHAREHOLDERS OF CHINA PIONEER PHARMA HOLDINGS LIMITED
(incorporated in the Cayman Islands as an exempted company with limited liability)

We have audited the consolidated financial statements of China Pioneer Pharma Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 124, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touch Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	*7*	**1,272,247**	958,723
Cost of sales		**(885,600)**	(651,978)
Gross profit		**386,647**	306,745
Other income	*8*	**49,434**	26,604
Other gains and losses	*9*	**10,811**	3,682
Distribution and selling expenses		**(101,760)**	(92,087)
Listing expenses		**(19,314)**	–
Administrative expenses		**(33,565)**	(28,670)
Finance costs	*10*	**(12,679)**	(9,435)
Share of loss of an associate	*19*	**(7,088)**	–
Profit before tax	*11*	**272,486**	206,839
Income tax expense	*12*	**(36,732)**	(21,122)
Profit for the year		**235,754**	185,717
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**75**	616
– Fair value loss on other investments		**(3,824)**	(3,243)
Other comprehensive expense for the year		**(3,749)**	(2,627)
Total comprehensive income for the year		**232,005**	183,090
Profit (loss) for the year attributable to:			
Owners of the Company		**238,372**	186,369
Non-controlling interests		**(2,618)**	(652)
		235,754	185,717
Total comprehensive income (expense) attributable to:			
Owners of the Company		**234,623**	183,742
Non-controlling interests		**(2,618)**	(652)
		232,005	183,090
		RMB yuan	RMB yuan
Earnings per share			
Basic and diluted	*13*	**0.23**	N/A

Consolidated Statement of Financial Position

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current Assets			
Property, plant and equipment	*16*	**17,219**	11,312
Investment properties	*16*	**–**	6,614
Prepaid lease payments	*17*	**2,323**	2,375
Intangible assets	*18*	**15,221**	15,855
Interest in an associate	*19*	**23,593**	–
Other investments	*20*	**53,359**	14,216
Finance lease receivables	*21*	**41,025**	4,876
Deferred tax assets	*22*	**2,142**	6,331
		154,882	61,579
Current Assets			
Inventories	*23*	**419,844**	295,862
Finance lease receivables	*21*	**4,733**	1,323
Trade and other receivables	*24*	**331,028**	200,097
Amount due from a related party	*29*	**–**	–
Tax recoverable		**192**	875
Prepaid lease payments	*17*	**52**	52
Derivative financial instruments	*25*	**–**	2,618
Structured note	*26*	**19,829**	–
Pledged bank deposits	*27*	**304,282**	294,726
Restricted bank deposits	*27*	**–**	11,862
Certificate of deposit	*27*	**60,000**	–
Bank balances and cash	*27*	**702,073**	59,559
		1,842,033	866,974
Current Liabilities			
Trade and other payables	*28*	**360,742**	290,840
Amounts due to related parties	*29*	**10,603**	460
Tax liabilities		**424**	3,823
Bank borrowings	*30*	**429,545**	416,220
Derivative financial instruments	*25*	**–**	1,162
Provision	*31*	**4,222**	3,223
		805,536	715,728
Net Current Assets		**1,036,497**	151,246
Total Assets less Current Liabilities		**1,191,379**	212,825

At 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Capital and Reserves			
Share capital	32	82,096	–
Reserves		1,075,532	212,057
Equity attributable to owners of the Company		1,157,628	212,057
Non-controlling interests		(343)	768
Total Equity		1,157,285	212,825
Non-current liability			
Deferred tax liability	22	7,500	–
Amounts due to related parties	29	460	–
Long-term liabilities	28	26,134	–
		1,191,379	212,825

The consolidated financial statements on pages 54 to 124 were approved and authorised for issue by the Board of Directors on 25 March 2014.

Li Xinzhou	**Zhu Mengjun**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Statutory reserve RMB'000 *(Note a)*	Accumulated profits RMB'000	Investments revaluation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2012	–	–	90,000	(62)	45,702	56,465	–	192,105	921	193,026
Profit (loss) for the year	–	–	–	–	–	186,369	–	186,369	(652)	185,717
Other comprehensive income (expense)	–	–	–	616	–	–	(3,243)	(2,627)	–	(2,627)
Total comprehensive income (expense) for the year	–	–	–	616	–	186,369	(3,243)	183,742	(652)	183,090
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	499	499
Appropriation to reserve	–	–	–	–	6,756	(6,756)	–	–	–	–
Deemed distributions to shareholders *(note c)*	–	–	(16,190)	–	–	–	–	(16,190)	–	(16,190)
Dividends declared by Pioneer Pharma and recognised as distribution *(note d)*	–	–	–	–	–	(147,600)	–	(147,600)	–	(147,600)
At 31 December 2012	–	–	73,810	554	52,458	88,478	(3,243)	212,057	768	212,825
Profit (loss) for the year	–	–	–	–	–	238,372	–	238,372	(2,618)	235,754
Other comprehensive expense	–	–	–	75	–	–	(3,824)	(3,749)	–	(3,749)

For the year ended 31 December 2013

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note b)	Translation reserve RMB'000	Statutory reserve RMB'000 (Note a)	Accumulated profits RMB'000	Investments revaluation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Total comprehensive income (expense) for the year	–	–	–	75	–	238,372	(3,824)	234,623	(2,618)	232,005
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,507	1,507
Appropriation to reserve	–	–	–	–	1,542	(1,542)	–	–	–	–
Issue of shares of the Company *(note 32(b))*	30,963	–	–	–	–	–	–	30,963	–	30,963
Issue of share upon initial public offering *(note 32(d))*	20,170	1,046,789	–	–	–	–	–	1,066,959	–	1,066,959
Share issue expenses *(note 32(d))*	–	(58,833)	–	–	–	–	–	(58,833)	–	(58,833)
Capitalisation issue *(note 32(c))*	30,963	(30,963)	–	–	–	–	–	–	–	–
Deemed distributions to shareholders *(note e)*	–	–	(165,141)	–	–	–	–	(165,141)	–	(165,141)
Adjustments arising from the Group Reorganisation *(note f)*	–	–	40,685	–	(45,000)	4,315	–	–	–	–
Dividends declared by Pioneer Pharma and recognised as distribution *(note d)*	–	–	–	–	–	(163,000)	–	(163,000)	–	(163,000)
At 31 December 2013	**82,096**	**956,993**	**(50,646)**	**629**	**9,000**	**166,623**	**(7,067)**	**1,157,628**	**(343)**	**1,157,285**

Notes:

(a) Statutory reserve represents amounts appropriated from the profit after tax of China Pioneer Pharma Holding Limited (the "Company")'s subsidiaries in the People's Republic of China ("PRC") under the relevant laws and regulations.

(b) Other reserve represents the share capital and capital reserve of Pioneer Pharma Shareholding Co., Ltd. ("Pioneer Pharma") amounted to approximately RMB90 million of which approximately RMB5.6 million was attributable to shareholders other than Mr. Li Xinzhou ("Mr. Li") and Ms. Wu Qian ("Mrs. Li"), the spouse of Mr. Li (collectively referred to as "Controlling Shareholders"), which is accounted for as non-controlling interest. Also, other reserve reflects the decrease in resource of the Company and its subsidiaries (the "Group") arising upon payment for acquisition of an associate by Pioneer Pharma amounting to RMB16.2 million during the year ended 31 December 2012 and includes the deemed distribution to shareholders and relevant adjustments arising from the Group Reorganisation (as defined in note 2) during the year ended 31 December 2013.

(c) Deemed distributions to shareholders represents the amount paid by the Group in respect of investment in an associate held by Pioneer Pharma which is not attributable to the Group.

(d) As financial information of Pioneer Pharma, except for its investment in an associate, is incorporated in the consolidated financial statements, the dividends declared and paid by Pioneer Pharma of RMB163,000,000 (2012: RMB147,600,000) for the year ended 31 December 2013 are recognised as distribution in equity.

(e) As part of the Group Reorganisation set out in note 2, certain group companies entered into various assets and equity transfer agreements with Pioneer Pharma. The aggregate consideration paid or payable to Pioneer Pharma amounted to approximately RMB117,814,000, and the carrying amount of certain assets and liabilities of Pioneer Pharma amounting to RMB47,327,000 that were not transferred to the Group or reinstated upon completion of the Group Reorganisation was accounted for as deemed distributions to shareholders with details set out in note 34.

(f) The statutory reserve and accumulated losses of Pioneer Pharma is transferred to other reserve as it is non-distributable profits of the Group.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

	2013 RMB'000	2012 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**272,486**	206,839
Adjustments for:		
Finance costs	**12,679**	9,435
Interest income	**(10,055)**	(14,428)
Depreciation of property, plant and equipment	**1,622**	1,814
Depreciation of investment properties	**224**	449
Amortisation of intangible assets	**634**	556
Release of prepaid lease payments	**52**	52
Gain on disposal of property, plant and equipment	**–**	(62)
Write off of property, plant and equipment	**24**	–
Share of loss of an associate	**7,088**	–
Loss on fair value changes of convertible debt instrument held by the Group	**4,369**	–
Loss on fair value changes of derivative financial instruments	**1,310**	2,526
Loss on fair value changes of structured note	**171**	–
Gain on anti-dilution of interest in an associate	**(6,784)**	–
Unrealised loss on fair value changes of other derivatives	**–**	1,162
Fair value changes of interest rate swaps	**950**	3,476
(Reversal of) allowance for inventories	**(466)**	73
Impairment loss on trade and other receivables	**500**	135
Reversal of impairment loss previously recognised on trade and other receivables	**(274)**	(557)
Gain on initial recognition of other investments and warrants	**(7,965)**	(6,359)
Provision of sales return	**4,308**	3,454
Operating cash flows before movements in working capital	**280,873**	208,565
Increase in inventories	**(126,825)**	(56,331)
Increase in trade and other receivables	**(130,803)**	(30,120)
Increase in trade and other payables	**71,017**	46,869
Increase in amount due to a related party	**10,602**	–
Increase in finance lease receivables	**(13,425)**	(6,199)
Decrease in foreign exchange contracts	**(1,162)**	(1,952)
Cash generated from operations	**90,277**	160,832
Income taxes paid	**(28,901)**	(29,385)
Interest paid	**(13,019)**	(8,904)
Payment of interest rate swaps	**(420)**	(1,785)
NET CASH FROM OPERATING ACTIVITIES	**47,937**	120,758

For the Year Ended 31 December 2013

	2013 RMB'000	2012 RMB'000
INVESTING ACTIVITIES		
Interest received	**10,377**	11,927
Advance to related parties	**(8,000)**	(25,000)
Repayment from related parties	**42,646**	25,460
Payment for available-for-sales investment	**(35,599)**	(15,714)
Purchases of property, plant and equipment	**(16,032)**	(757)
Payment for interest in associate	**(28,266)**	–
Purchases of intangible assets	**–**	(11,709)
Proceeds on disposal of property, plant and equipment	**–**	174
Withdrawal of pledged bank deposits	**438,293**	289,409
Withdrawal of restricted bank deposits	**11,862**	5,300
Placement of pledged bank deposits	**(447,849)**	(294,726)
Placement of restricted bank deposits	**–**	(11,862)
Purchase of structured note	**(20,000)**	–
Placement of certificate of deposit	**(60,000)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(112,568)**	(27,498)
FINANCING ACTIVITIES		
New bank borrowing raised	**498,139**	416,220
Repayments of bank borrowings	**(484,814)**	(338,011)
Capital contributions from non-controlling shareholders	**1,507**	499
Deemed distributions to shareholders	**–**	(16,190)
Advance from a related party	**4,455**	–
Repayment to a related party	**(4,455)**	–
Consideration paid to Pioneer Pharma on acquisition of Transferred Business	**(117,814)**	–
Proceeds from issuance of new shares pursuant to the public offering	**1,097,922**	–
Payment of transaction cost attributable to issue of new shares	**(58,833)**	–
Dividend paid	**(136,980)**	(147,600)
Dividend paid to Pioneer Pharma pursuant to the Group Reorganisation	**(92,652)**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**706,475**	(85,082)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**641,844**	8,178
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**59,559**	51,356
Effect of foreign exchange rate changes	**670**	25
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**702,073**	59,559

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No.1000, Wangqiao Road, Pudong New District, Shanghai, the PRC. The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Limited ("Pioneer BVI"), a company incorporated in the British Virgin Islands ("BVI") which is controlled by Mr. Li and Mrs. Li, the controlling Shareholders.

The Company is an investment holding company. The principal activities of the Company and the Group are the marketing, promotion and sale of pharmaceutical products and medical devices.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The principal activities of the Group are the import and distribution of pharmaceutical products and medical devices (the "Principal Business"). Historically, majority of the Group's Principal Business was carried out by Pioneer PharmaCo. Ltd. ('Pioneer Phamra") which is under the control of Controlling Shareholders, whereas a relatively smaller portion of the Group's Principal Business were carried out by other group entities including Xiantao City Pioneer Pharma Co. Ltd. ("Xiantao Pioneer"), Naqu Area Pioneer Pharma Co., Ltd. ("Naqu Pioneer") and Shanghai Pioneer Ruici Medical Facilities Company Limited ("Pioneer Ruici"), which are also under the control of Controlling Shareholders.

Other than the Principal Business, Pioneer Pharma also invested in an associate and holds certain properties and motor vehicles ("Non-Transferred Business"). In preparation for the listing of the Company's share on the Stock Exchange, the Group underwent the group reorganisation which mainly involved interspersing shell entities and transferring operations, assets and liabilities related to the sale of pharmaceutical products and medical devices business ("Transferred Business") from Pioneer Pharma to Xinatao Pioneer Medical Services Co. Ltd. ("Xinatao Medical"), Xiantao Pioneer, Naqu Pioneer and Pioneer Pharma (Hong Kong) Company Limited ("Pioneer HK") which are also under the common control of Controlling Shareholders, while Pioneer Pharma and its Non-Transferred Business would not form part of the Group ("Group Reorganisation"). Therefore, through the Group Reorganisation of which merger accounting is applied for business combinations under common control, the consolidated financial statements would give a complete picture of the Group's Principal Business. Details of the Group Reorganisation are as the following steps:

(i) On 12 February 2013, Pioneer BVI was incorporated as a limited liability company in the BVI. At the time of its incorporation, each of Mr. Li and Mrs. Li subscribed for and was allotted and issued one share of Pioneer BVI. Pioneer BVI is an investment holding company.

(ii) On 14 February 2013, the initial subscriber of the Company transferred one share to Pioneer BVI at a cash consideration of United States Dollars ("US$") US$0.01 and Pioneer BVI subscribed for an additional 99 shares at par value in cash, as a result of which the Company became a wholly-owned subsidiary of Pioneer BVI.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(iii) On 19 February 2013, Pioneer HK was incorporated as a limited liability company in Hong Kong with an authorised share capital of US$5,000,000 divided into 5,000,000 shares of US$1 each. Upon incorporation, one share of Pioneer HK was allotted and issued to the Company and Pioneer HK has since then been a wholly-owned subsidiary of the Company. On 13 June 2013, Pioneer HK allotted and issued an additional 1,001,000 shares to the Company for a consideration of US$1,001,000 (equivalent to approximately RMB6,286,000).

(iv) Xiantao Medical was established on 22 March 2013 as a wholly foreign-owned enterprise in the PRC with a registered capital of US$1,000,000 and the registered capital was fully paid up in 6 June 2013. Xiantao Medical has been a wholly-owned subsidiary of Pioneer HK since its establishment.

(v) On 13 June 2013, Xiantao Medical entered into an equity transfer agreements with Pioneer Pharma, pursuant to which Xiantao Medical acquired a 100% interest in Xiantao Pioneer at a consideration of RMB50,210,000, the consideration was fully paid on 14 August, 2013. As a result of the transfer, Xiantao Pioneer becomes wholly owned by Xiantao Medical.

(vi) Xiantao Pioneer in turn entered into equity transfer agreements with Pioneer Pharma, pursuant to which Xiantao Pioneer acquired a 35% interest in Naqu Pioneer and a 70% interest in Pioneer Ruici at a cash consideration of RMB19,990,000. As a result of the transfer, Naqu Pioneer became wholly owned by Xiantao Pioneer and Pioneer Ruici became owned by Xiantao Pioneer, Shanghai Integer Consulting and Shanghai Qiyu Information Technology as to 70%, 20% and 10%, respectively. There are no changes of shareholdings of these subsidiaries attributed to the controlling shareholders as a result of these transfers.

(vii) Naqu Pioneer entered into a business and assets transfer agreement with Pioneer Pharma on 31 March 2013 and a supplemental agreement dated 25 June 2013, pursuant to which Pioneer Pharma transferred the Transferred Business to Naqu Pioneer on 25 June 2013, except for (i) properties and motor vehicles, (ii) investment in an associate and (iii) certain receivables and payables, for consideration of RMB210,000.

(viii) On 31 May 2013, Pioneer HK acquired a 100% equity interest in Pioneer Pharma (Singapore) Pte. Ltd. ("Pioneer Singapore") from Pioneer Pharma for consideration of US$7,743,600 (equivalent to RMB47,404,000). As a result, Pioneer HK wholly owns Pioneer Singapore and, through Pioneer Singapore, indirectly owns a 60% equity interest in Pioneer Medical (HK) Company Limited ("Pioneer Medical (HK)"), a 60% equity interest in Pioneer Medident (SE Asia) Pte. Ltd. ("Pioneer Medident").

There are no changes of shareholdings of the group entities attributed to the Controlling Shareholders as a result of these transfers.

Pursuant to the Group Reorganisation described above, the Company became the holding company of the companies now comprising the Group in June, 2013. Despite the actual date of completion of the Group Reorganisation as mention above, the Company and its subsidiaries (including the Transferred Business) have been under the common control of the Controlling Shareholders, for both periods or since their respective date of incorporation or establishment, where there is a shorter period. Therefore, the Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements has been prepared on the basis as if the Company had always been the holding company of the Group using the principles of merger accounting.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for both years include the results, changes in equity and cash flows of the companies (including the Transferred Business) now comprising the Group as if the current group structure had been in existence since 1 January 2012, or since their respective date of incorporation/establishment, where there is a shorter period.

The consolidated statement of financial position of the Group as at 31 December 2012 have been prepared to present the assets and liabilities of the companies (including the Transferred Business) now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation/establishment, or where applicable.

Pioneer Pharma has no other business except the Transferred Business which forms part of the Group, the Non-Transferred Business representing its investment in an associate since 2012 which does not form part of the Group. Therefore, the consolidated financial statements have incorporated the financial information of Pioneer Pharma during the years except for its investment cost of the associate. The cash outflow relating to the investment in Non-Transferred Business of approximately RMB16,190,000 during the year ended 31 December 2012 is accounted for as a deemed distribution to shareholders in the consolidated financial statements of the Group.

The aggregate consideration paid or payable to Pioneer Pharma amounted to approximately RMB117,814,000, and the carrying amount of certain assets and liabilities of Pioneer Pharma amounting to RMB47,327,000 (note 34) that were not transferred to the Group was accounted for as deemed distributions to shareholders.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The consolidated financial statements have been prepared in accordance with IFRSs issued by International Accounting Standards Board. The Group has applied all the IFRSs which are effective for the Group's financial period beginning on 1 January 2013 consistently through the reporting periods. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange and by the Hong Kong Companies Ordinance.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 *Financial Instruments*

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of International Accounting Standard ("IAS") 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future may not have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipated that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity owners of the Company.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investment in a subsidiary

Investment in a subsidiary included in the Company's statement of financial position is stated at cost less any accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment after assessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received. Revenue is reduced for estimated sales returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating and finance lease is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or for administrative purpose are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as Lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributable to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to deferred contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC and Singapore and the Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and of items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the relevant reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with finite useful lives that are not ready for use are stated in the consolidated statement of financial position at cost less subsequent accumulated impairment losses, if any.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party, pledged bank deposits, restricted bank deposits, certificate of deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an AFS equity investment, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as mentioned in note 24, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investments revaluation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company and Pioneer Pharma are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss and included any interest paid on the financial liabilities and in profit or loss. The net gain or loss recognised in profit or loss and any interest paid on the financial liabilities is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to related parties and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated as a hedging instrument, in such case, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retain interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Impairment on tangible and intangible assets other than financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amounts of Group's trade receivables are approximately RMB214,674,000 (2012: RMB122,127,000), net of allowance for doubtful debts of RMB462,000 (2012: RMB107,000).

Allowances for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2013, the carrying amounts of Group's inventories are RMB419,844,000 (2012: RMB295,862,000), net of allowance for inventories of RMB810,000 (2012: RMB1,276,000).

Fair value of derivative financial instruments

As described in note 25, the directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The details of valuation techniques and the relevant key inputs are set out in note 6 while the carrying amounts of the derivative financial instruments are disclosed in note 25. The directors believe that the chosen valuation techniques and inputs are appropriate in determining the fair value of financial instruments.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Provision for sales return

In general, the Group allows return or replacement of products in accordance with contract terms. Estimate of the provision for sales return is based upon historical experience and current trends of actual customer returns. In case where the actual sales returns are greater than expected, a material increase in sales returns may arise, which would be recognised in profit or loss for the period in which such a return takes place. As at 31 December 2013, the carrying amounts of provision for sales return are approximately RMB4,222,000 (2012: RMB3,223,000).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	2013 RMB'000	2012 RMB'000
Financial assets:		
Fair value through profit or loss		
Derivative financial assets	**–**	2,618
Designated at FVTPL	**19,829**	–
Available-for-sale assets	**53,359**	14,216
Loans and receivables (including cash and cash equivalents)	**1,430,114**	561,012
Financial liabilities:		
Derivative financial liabilities (fair value through profit or loss)	**–**	1,162
Amortised cost	**813,452**	685,696

(b) Financial risk management objectives and policies

The Group's major financial instruments include other investments, trade and other receivables, finance lease receivables, derivative financial instruments, structured note, pledged bank deposits, restricted bank deposits, certificate of deposit, bank balances and cash, trade and other payables, structured note, bank borrowings and amounts due to related parties. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Group uses derivative financial instruments to reduce its exposure to foreign currency and interest rate risk, including forward exchange contracts and interest rate swap contracts.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) *Currency risk*

The Group's exposure to foreign currency risk is arising mainly from:

- Certain bank balances denominated in foreign currencies;
- Certain foreign currency purchases and certain trade payables are denominated in foreign currencies;
- Certain borrowings denominated in foreign currencies; and
- Foreign exchange forward contracts.

At the end of the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follow:

THE GROUP

	Assets		Liabilities	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
US$	**61,465**	1,204	**476,087**	67,081
Euro ("EUR")	**9**	23,984	**18,219**	24,987
Singapore Dollars ("SGD")	**780**	1,512	**154**	162
Hong Kong Dollars ("HKD")	**7,662**	808	**424**	24
Taiwan Dollars ("TWD")	**1,048**	–	**6**	–
	70,964	27,508	**494,890**	92,254

Sensitivity analysis

The sensitivity analysis includes outstanding foreign currency denominated monetary items and inter-company balances denominated in foreign currencies and adjusts their translation at the year ended for a 5% change in foreign currency rates. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. It did not take into consideration the foreign currency forward contracts outstanding at the end of each reporting period as the directors of the Company consider that the relevant currency risk exposure is minimal.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis (Continued)

If the relevant foreign currency weakens by 5% against the functional currency of the respective group entity, profit for the year would increase by:

THE GROUP

	2013 RMB'000	2012 RMB'000
US$	15,548	2,470
EUR	683	38

If the relevant foreign currency strengthens by 5% against the functional currency of the Group entity, there would be an equal and opposite impact on the post-tax profit.

No sensitivity analysis for RMB against SGD and HKD respectively presented as the directors of the Company consider that the foreign currency risk exposure of the Group arose from these two currencies are minimal.

Additionally, as at 31 December 2013, intercompany receivables denominated in RMB which is not the functional currency of the respective group entities are approximately RMB341,201,000(2012: RMB256,224,000). If RMB weakens or strengthens by 5% against the functional currency of the respective group entity, profit for the year would decrease/increase by approximately RMB12,795,000 (2012: RMB9,608,000) for the year ended 31 December 2013.

(ii) Interest rate risk

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see Note 30 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowing (see Note 30 for details of these borrowings), pledged bank deposit, restricted bank deposits and bank balances.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate ("LIBOR") and Singapore Interbank Offered Rate ("SIBOR") arising from the US$ loans.

The Group uses interest rate swap contracts to reduce its exposure on cash flow interest rate risk of variable-rate bank borrowings. Further details on the interest rate swap derivative instruments are set out in Note 25.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowing at the end of the reporting period. No sensitivity is presented for variable-rate bank deposits and bank balances as the directors considered that the relevant interest rate fluctuation is minimal. For bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year without considering the interest rate swaps outstanding at the end of the reporting period as the directors of the Company consider that the relevant interest rate risk is minimal.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity analysis (Continued)

A 50 basis points increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2012 would decrease/increase by approximately RMB130,000. No variable bank borrowings outstanding as at 31 December 2013.

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and its related warrants.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If the market prices of the respective equity securities had been 70% higher, investment valuation reserve as at 31 December 2013 would increase by RMB31,002,000 (2012: RMB9,473,000), as a result of the fair value gains of other investments. If the market prices of the respective equity securities had been 70% lower, the post-tax profit for the year ended 31 December 2013 would decrease by RMB38,069,000 (2012: RMB12,716,000), as a result of the relevant impairment.

If the market prices of the respective equity securities input in the valuation of warrants had been 70% higher while the other inputs remained constant, the post-tax profit for the year ended 31 December 2012 would increase by approximately RMB6,200,000. If the respective equity securities input in the valuation of warrants had been 70% lower while the other inputs remained constant, the post-tax profit for the year ended 31 December 2012 would decrease by approximately RMB2,100,000. No warrants were outstanding as at 31 December 2013.

Credit risk

At the end of each of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties represents the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and loan commitment of EUR1,500,000 to Q3 as disclosed in note 19.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and finance lease receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk on finance lease receivables is limited since the titles to the medical devices have not been transferred to the customers and the Group is permitted to sell or pledge the medical devices in case of default by the customer during the contract period.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

Credit risk on pledged bank deposits, restricted bank deposits, certificate of deposit and bank balances and cash is limited because the counterparties are banks with good reputation and good credit rating.

The Group has concentration of credit risk by individual customer as 5% (2012: 5%) of the total trade receivables as at 31 December 2013 were due from the Group's largest customer respectively whereas 18% (2012: 17%) of the total trade receivables as at 31 December 2013 were due from the Group's five largest customers respectively.

The Group has concentration of credit risk by geographical location as majority of the customers are located in PRC as at 31 December 2013.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repaid dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate existing at the end of each reporting period.

In addition, the following tables detail the Group's liquidity analysis for its foreign currency forward contracts. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the interest rate existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

THE GROUP

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	–	346,710	–	26,134	372,844	372,844
Amounts due to related parties	–	10,603	–	460	11,063	11,063
Bank borrowings						
– fixed rate	2.25	51,312	384,198	–	435,510	429,545
Loan commitment *(note 25)*		12,114	–	–	12,114	–
		420,739	384,198	26,594	831,531	813,432

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2012						
Non-derivative financial liabilities						
Trade and other payables	–	266,566	2,450	–	269,016	269,016
Amounts due to related parties	–	460	–	–	460	460
Bank borrowings						
– fixed rate	4.0	27,278	264,235	–	291,513	285,342
– variable rate	1.5	59,978	71,464	–	131,442	130,878
		354,282	338,149	–	692,431	685,696
Derivatives – net settlements						
Foreign currency forward contracts	–	118	1,044	–	1,162	1,162

6. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurements

Fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial (liabilities)	Fair value as at 31.12.2013	Fair value as at 31.12.2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Foreign currency forward contracts *(see notes 25a)*	N/A	Liabilities – RMB1,162,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Interest rate swaps *(see notes 25b)*	N/A	Assets – RMB530,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
3) Other investments *(see note 20)*	Listed equity securities in US – Biotechnology industry – RMB53,359,000	Listed equity securities in US – Biotechnology industry – RMB14,216,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Warrants prior to the warrants amendments on 9 May 2013 *(see note 25c)*	N/A	Assets – RMB2,088,000	Level 3	Black-Scholes Option Pricing Model. The fair value is estimated based on stock price, strike price, historical volatility, time to expiration and risk-free interest rate.	Historical Volatility	The higher the historical volatility, the higher the fair value.
5) Structured note *(see note 26)*	Assets – RMB19,829,000	N/A	Level 3	The fair value is determined based on the final redemption amount estimated by the option pricing model which stimulate the Fixing Rate on the redemption date discounted by the time value.	Exchange rate estimated by counter bank	The higher the estimated exchange rate, the lower the fair value

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

There were no transfers between Level 1 and 2 for the Group in both periods.

As at 31 December 2013, the directors consider that the carrying amount of financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 Inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Chief Financial Officer works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

Reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial assets:

	Warrants RMB'000	Other derivatives RMB'000	Structured note RMB'000	Total RMB'000
At 1 January 2012	–	–	–	–
Purchase	4,614	–	–	4,614
Total losses in profit or loss				
(Included in "Other gain and losses")	(2,526)	–	–	(2,526)
At 31 December 2012	2,088	–	–	2,088
Purchase	–	–	20,000	20,000
Total losses in profit or loss				
(Included in "Other gain and losses")	(3,564)	–	(171)	(3,735)
Transfer to Level 2	1,476	–	–	1,476
At 31 December 2013	**–**	**–**	**19,829**	**19,829**

The losses in profit or loss represented the fair value change related to the warrants and the other derivatives held at the end of each reporting period or the transfer date.

7. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of pharmaceutical products and medical devices in the PRC and South East Asia. An analysis of the Group's revenue is as follows:

	2013 RMB'000	2012 RMB'000
Sales of pharmaceutical products	**1,169,670**	934,267
Sales of medical devices	**102,577**	24,456
	1,272,247	958,723

The Group's chief operating decision maker is Mr. Li, the Chief Executive Officer, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the gross profit earned by each segment.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

(a) Ophthalmic pharmaceutical products – the Group's ophthalmic pharmaceutical products are sold via the provision of channel management services and/or co-promotion services ("Products sold via the provision of co-promotion and channel management services"); and

(b) All of the Group's pharmaceutical products and medical devices except for ophthalmic pharmaceutical products are sold via the provision of comprehensive marketing, promotion and channel management services ("Products sold via the provision of comprehensive marketing, promotion and channel management services").

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31 December 2013

	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Products sold via the provision of co-promotion and channel management services RMB'000	Consolidated RMB'000
Segment revenue	486,040	786,207	1,272,247
Cost of sales	(211,411)	(674,189)	(885,600)
Gross profit & segment result	274,629	112,018	386,647
Other income			49,434
Other gains and losses			10,811
Distribution and selling expenses			(101,760)
Listing expenses			(19,314)
Administrative expenses			(33,565)
Finance costs			(12,679)
Share of loss of an associate			(7,088)
Profit before tax			272,486

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2012

	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Products sold via the provision of co-promotion and channel management services RMB'000	Consolidated RMB'000
Segment revenue	323,721	635,002	958,723
Cost of sales	(121,173)	(530,805)	(651,978)
Gross profit & segment result	202,548	104,197	306,745
Other income			26,604
Other gains and losses			3,682
Distribution and selling expenses			(92,087)
Administrative expenses			(28,670)
Finance costs			(9,435)
Profit before tax			206,839

7. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2013 **RMB'000**	2012 RMB'000
Alcon	**786,207**	635,002
Difene	**118,539**	94,383
Fluxum	**84,875**	61,683
Polimod	**59,708**	38,939
Macmiror complex and Macmiror	**27,169**	21,756
Vinpocetine API	**52,815**	12,466
Neoton	**16,266**	4,840
Budesonide Easy Halser and Salbutamol Easyhaler	**6,843**	1,144
Bestcall	**313**	24,268
FLEET Phospho-Soda	**11,495**	26,729
Medical equipments and supplies	**102,577**	26,356
Others	**5,440**	11,157
	1,272,247	958,723

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). Over 90% of non-current assets excluding interest in an associate and other investments of the Group are located in the PRC. Over 95% of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC).

Information about major customers

No individual customer of the Group contributed 10% or more of the Group's revenue for both years.

8. OTHER INCOME

	2013 RMB'000	2012 RMB'000
Government grants *(Note)*	**36,122**	11,383
Interest on bank deposits	**10,055**	14,428
Interest income on finance leases	**1,922**	–
Rental income	**410**	775
Service income	**318**	–
Others	**607**	18
	49,434	26,604

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the PRC. Government grants are recognised in profit or loss when received.

9. OTHER GAINS AND LOSSES

	2013 RMB'000	2012 RMB'000
Net foreign exchange gains	**2,162**	2,051
Reversal of impairment loss previously recognised on trade and other receivables	**274**	557
Impairment loss on trade and other receivables	**(500)**	(135)
Write off of property, plant and equipment	**(24)**	–
Gain on disposal of property, plant and equipment	**–**	62
Loss on fair value change of convertible debt instrument held by the Group	**(4,369)**	–
Gain on anti-dilution of interest in an associate *(Note 19)*	**6,784**	–
Loss on fair value change of derivative financial instruments	**(1,481)**	(5,212)
Gain on initial recognition of other investments and warrants *(Note)*	**7,965**	6,359
	10,811	3,682

Note: During the year ended 31 December 2013, the amount represents the difference between the fair value at acquisition dates of other investments and warrants of approximately RMB43.6 million (2012: RMB22.1 million) over the total acquisition cost of approximately RMB35.6 million (2012: RMB15.7 million).

10. FINANCE COSTS

	2013 RMB'000	2012 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**12,679**	9,435

11. PROFIT BEFORE TAX

	2013 RMB'000	2012 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration *(note 14)*	**991**	621
Other staff's retirement benefits scheme contributions	**7,989**	5,410
Other staff costs	**26,467**	19,122
Total staff costs	**35,447**	25,153
Auditors' remuneration	**977**	975
Listing expenses *(note a)*	**19,314**	–
(Reversal of) allowance for inventories, net *(note b)*	**(466)**	73
Release of prepaid lease payments	**52**	52
Depreciation for property, plant and equipment	**1,622**	1,814
Depreciation for investment properties	**224**	449
Amortisation of intangible assets (included in administrative expenses)	**667**	556
Cost of inventories recognised as an expense	**885,600**	651,978
Minimum lease payment under operating lease in respect of premises	**408**	246
Rental income	**(410)**	(775)

Note a: For the year ended 31 December 2013, the listing expenses represent expenses incurred for the listing of the shares on the Stock Exchange.

Note b: Reversal of allowance for inventories for the year ended 31 December 2013 is due to the return of obsolete inventories to supplier at cost.

12. INCOME TAX EXPENSE

	2013 RMB'000	2012 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**24,669**	24,978
Overseas income tax	**–**	–
	24,669	24,978
Under (Over) provision in prior year		
PRC Enterprise Income Tax	**433**	(2,540)
Deferred tax *(note 22)*		
Current year	**11,630**	(2,002)
Attributable to a change in tax rate	**–**	686
	36,732	21,122

The Company is tax exempted under the laws of the Cayman Islands.

Pioneer Medical (HK) and Pioneer HK are incorporated in Hong Kong and subject to Hong Kong Profits Tax at a rate of 16.5% on assessable profits in Hong Kong. No provision for Hong Kong Profits Tax for the year ended 31 December 2012 and 2013 is made as they are loss-making have had no assessable profits since their incorporation.

Pioneer Singapore and Pioneer Medident are subject to Singapore Profits Tax of a rate of 17%. No provision for Singapore Profits Tax was made for the year ended 31 December 2012 and 2013 as the amount involved is insignificant.

On 10 October 2013, a subsidiary, Pioneer Dynamic Co., Ltd., is incorporated in Taiwan and subject to corporate income tax of 17%. No provision for Taiwan income tax was made for the year ended 31 December 2013 as it is loss-making and had no assessable profits since its incorporation.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

According to Circular Zangzhengfa 2011 No. 14, enterprises located in Tibet are subject to a reduced EIT rate of 15% for the period from 2011 to 2020. Moreover, according to Circular Zangzhengfa 2008 No. 62 and Zangzhengbanfa 2011 No. 52, enterprises that are located in Naqu Logistics Center and engaged in specific encouraged industries enjoy a 40% exemption of the EIT for a period from 8 to 10 years. As approved by the in-charge tax bureau, Naqu Pioneer, which is located in Naqu, Tibet, is subject to a reduced EIT rate of 9% from 2010 to 2019. Due to the approval being obtained in 2012, there was a reversal of overprovision of PRC Enterprise Income Tax of approximately RMB2,540,000 during the year ended 31 December 2012 which was related to the aforesaid 40% exemption for the assessable profit in 2011.

12. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 RMB'000	2012 RMB'000
Profit before tax	**272,486**	206,839
Tax at the applicable income tax rate of 25%	**68,122**	51,710
Tax effect of expenses not deductible for tax purpose	**5,036**	2,213
Tax effect of income not taxable for tax purpose	**(1,966)**	(1,590)
Tax effect of tax losses not recognised	**2,811**	457
Decrease in opening deferred tax assets resulting from decrease in applicable tax rate	**–**	686
Income tax on concessionary tax rate and tax exemption	**(45,204)**	(29,688)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**–**	(126)
Over provision in prior year	**433**	(2,540)
Withholding tax on dividend	**7,500**	–
	36,732	21,122

13. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	2013	2012
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB 238,372,000**	N/A
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,047,454,000**	N/A

No earnings per share information is presented for the year ended 31 December 2012.

For the year ended 31 December 2013, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2013 has been taken into account the bonus shares issued to the shareholders and the capitalisation is`sue as described more fully in Appendix IV to the Company's listing prospectus dated 24 October 2013.

The Computation of diluted earnings per share does not assume the exercise of the Company's over-allotment options granted pursuant to the listing of the Company in the Stock Exchange in global offering as the exercise price of the options was higher than the average market price for the Shares.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to each of the directors of the Company are as follows:

For the year ended 31 December 2013

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Li Xingzhou *(Chief Executive)*	–	167	–	167
Zhu Mengjun	–	533	72	605
Lu Yuan	31	–	–	31
Wu Mijia	31	–	–	31
Zhang Wenbin	31	–	–	31
Xu Zhonghai (appointed on 5 November 2013)	40	–	–	40
Lai Chanshu (appointed on 5 November 2013)	40	–	–	40
Wong Chihung (appointed on 5 November 2013)	46	–	–	46
	219	700	72	991

For the year ended 31 December 2012

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Li Xingzhou	–	240	38	278
Zhu Mengjun	–	288	55	343
Lu Yuan	–	–	–	–
Wu Mijia	–	–	–	–
Zhang Wenbin	–	–	–	–
	–	528	93	621

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals include one director for each of the two years ended 31 December 2013 and 2012. The emoluments of the remaining four individuals, which were less than HK$1,000,000 for each individual, were as follows:

	2013 RMB'000	2012 RMB'000
Salary and other allowances	**2,470**	1,823
Retirement benefits scheme contributions	**323**	218
	2,793	2,041

During the year, no emoluments were paid by the Group to the directors and five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived any emoluments for both years.

15. DIVIDENDS

No dividend was paid or declared by group entities to external parties other than to Pioneer Pharma prior to completion of the Group Reorganisation.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK13.5 cents (2012: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

THE GROUP

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000	Investment properties RMB'000
COST							
At 1 January 2012	11,161	557	2,561	4,051	–	18,330	9,447
Additions	–	53	533	171	–	757	–
Disposals	–	–	(176)	(464)	–	(640)	–
At 31 December 2012	11,161	610	2,918	3,758	–	18,447	9,447
Additions	–	3	6,984	–	9,045	16,032	–
Disposals	–	–	(62)	–	–	(62)	–
Deemed distribution upon completion of the Group Reorganisation *(note 34)*	(10,761)	(445)	–	(3,366)	–	(14,572)	(9,447)
At 31 December 2013	400	168	9,840	392	9,045	19,845	–
ACCUMULATED DEPRECIATION							
At 1 January 2012	2,757	305	1,105	1,682	–	5,849	2,384
Provided for the year	606	29	400	779	–	1,814	449
Elimination on disposals	–	–	(167)	(361)	–	(528)	–
At 31 December 2012	3,363	334	1,338	2,100	–	7,135	2,833
Provided for the period	274	117	881	350	1,622	224	
Elimination on disposals	–	–	(38)	–	–	(38)	–
Deemed distribution upon completion of the Group Reorganisation *(note 34)*	(3,557)	(307)	–	(2,229)	–	(6,093)	(3,057)
At 31 December 2013	80	144	2,181	221	–	2,626	–
CARRYING VALUES							
At 31 December 2013	**320**	**24**	**7,659**	**171**	**9,045**	**17,219**	**–**
At 31 December 2012	7,798	276	1,580	1,658	–	11,312	6,614

16. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES (Continued)

The above items of property, plant and equipment and investment properties, except for construction in progress, are depreciated over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings and investment properties	5%
Leasehold improvement	Over the lease term
Furniture and equipment	20%
Motor vehicles	20%

All the Group's buildings and investment properties are located in the PRC with land use rights under medium-term leases.

The fair value of the Group's investment properties was RMB10.9 million as at 31 December 2012, which has been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to market prices for similar properties in similar locations and conditions.

Buildings located in Hainan province, the PRC, of the Group with aggregate carrying amount of approximately RMB2,169,000 have been pledged to secure general banking facilities granted to the Group as at 31 December 2012 (see note 30).

17. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

	2013 **RMB'000**	2012 RMB'000
Current asset	**52**	52
Non-current asset	**2,323**	2,375
	2,375	2,427

All the Group's prepaid lease payments represented prepaid land use rights are located in the PRC under medium-term lease.

18. INTANGIBLE ASSETS

THE GROUP

	Distribution rights RMB'000
COST	
At 1 January 2012	2,780
Additions	13,909
At 31 December 2012 and 2013	16,689
ACCUMULATED AMORTISATION	
At 1 January 2012	278
Provided for the year	556
At 31 December 2012	834
Provided for the period	634
At 31 December 2013	1,468
CARRYING VALUES	
At 31 December 2013	15,221
At 31 December 2012	15,855

All of the Group's distribution rights were acquired from third parties. The distribution rights are amortised over the remaining contract periods of no more than 5 years after the completion of registration.

19. INTEREST IN AN ASSOCIATE

Pursuant to a binding letter of intent dated 7 January 2013 (the "Binding Letter") and an investment agreement dated 17 April 2013 (the "Investment Agreement") entered into by Pioneer Singapore and amongst other independent third parties which include QualiMed Innovative Medizinprodukte GmbH ("QualiMed") and AMG International GmbH, the Group has completed first tranche of acquisition by acquisition of 19,284 ordinary shares from existing shareholders and subscription of 1 ordinary share of Q3 Medical Devices Limited ("Q3") both took place on 17 April 2013, for a total cash consideration of EUR0.9 million (equivalent to RMB7.2 million), representing 12.8% of equity interest in Q3.

19. INTEREST IN AN ASSOCIATE (Continued)

Pursuant to a loan agreement dated 21 January 2013, Pioneer Singapore subscribed for a convertible debt instrument with principal amount of EUR0.7 million (equivalent to RMB5.6 million) ("Q3 CB1") issued by QualiMed. Q3 CB1 was subsequently converted by the Group into 7,254 shares of Q3 on 17 April 2013, which represented approximately 3.5% of the issued share capital of Q3 immediately after such conversion. The convertible debt instrument is designated as fair value through profit and loss upon initial recognition. The Q3 CB1 at the date of subscription was subscribed at its principal amount, and the fair value of the Q3 CB1 was approximately EUR0.5 million (equivalent to RMB3.9 million) at the date of conversion. A fair value loss of approximately RMB1.7 million was recognised in profit or loss during the year ended 31 December 2013.

Pursuant to the Binding Letter and the Investment Agreement, the Group also completed the second tranche of acquisition by further acquisition of 19,284 ordinary shares from existing shareholders and subscription of 1 ordinary share of Q3, both took place on 12 June 2013, for a total cash consideration of EUR0.9 million (equivalent to RMB7.2 million).

On 16 June, 2013 and 27 September 2013, Q3 issued shares to various investors for a total number of ordinary shares of 28,335, which represented approximately 13.23% of the issued share capital immediately after each of the issuance. Whereas 7,081 share were issued to Pioneer Singapore by Q3 in accordance with anti-dilution clause in the Investment Agreement. A gain on anti-dilution of approximately RMB6.8 million was recognised during the year ended 31 December 2013.

On 30 November, 2013, Pioneer Singapore subscribed convertible debt instruments with principal amount of EUR 1 million (equivalent to RMB8.1 million) ("Q3 CB2") under the Funding Right 2 (as defined in note 25(d)) and converted into 10,401 ordinary shares on 2 December 2013, which represented approximately 4% of the issued share capital of Q3 immediately after such conversion. The fair value of the Q3 CB2 was approximately EUR665,000 (equivalent to approximately RMB5.4 million) at the date of conversion. A fair value loss of approximately RMB2.7 million was recognised in profit or loss during the year ended 31 December 2013.

After completion of the acquisitions, subscriptions and conversion of Q3 CB1 and Q3 CB2 as described above, Pioneer Singapore held approximately 24.35% of the issued share capital of Q3.

Name of associate	Form of entity	Classes of shares held	Principal activity	Placed incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group
Q3	Incorporated	Common shares	Manufacturing and trading of medical devices	Ireland/German	24.35%

The above table lists the associates of the group which, in the opinion of the Directors, principally affected the results of the year or form a substantial portion of the net assets of the Group.

19. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information in respect of the associate is set below:

	As at 31 December 2013 RMB'000
Non-current assets	104,033
Current assets	43,943
Non-current liabilities	36,237
Current liabilities	32,040

	From date of acquisition on 17 April 2013 to 31 December 2013 RMB'000
Revenue	30,523
Loss for the year	37,415
Total comprehensive expense for the year	37,415

Reconciliation of the above summarised financial information to the carrying amount of the interest in Q3 recognised in the consolidated financial statement:

	As at 31 December 2013 RMB'000
Net assets of the associate	79,699
Proportion of the Group's ownership interest in Q3	19,403
Goodwill	4,190
Carrying amount of the Group's interest in Q3	23,593

20. OTHER INVESTMENTS

The balances represent equity securities listed in the United States of America classified as available-for-sale investments.

21. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$	2012 HK$	**2013 HK$**	2012 HK$
Finance lease receivables comprise:				
Within one year	**12,233**	2,400	**4,733**	1,323
In more than one year but not more than two years	**13,310**	2,800	**7,163**	1,997
In more than two years but not more than five years	**35,230**	3,200	**22,541**	2,879
More than five years	**13,948**	–	**11,321**	–
	74,721	8,400	**45,758**	6,199
Less: unearned finance income	**(28,963)**	(2,201)	**N/A**	N/A
Present value of minimum lease payment receivables	**45,758**	6,199	**45,758**	6,199
Analysed for reporting purposes as:				
Current assets			**4,733**	1,323
Non-current assets			**41,025**	4,876

21. FINANCE LEASE RECEIVABLES (Continued)

As disclosed in note 24, the Group's sales of medical devices usually involve immediate transfer of legal ownership and are to be settled by instalments over a period, which is usually 12 months. Such sales of medical devices are accounted for under IAS 18 Revenue.

In addition, the Group has also entered into sale contracts with its customers pursuant to which legal ownership is only transferred to the customers upon full payment of the contract sum (the "Contracts"). The mode of payment of contract sum under the Contracts depends on the utilisation of devices by the customer during the contract period, subject to annual minimum payments during the term of the Contracts. As the feature of these contracts is such that substantially all the risks and rewards incidental to the ownership of the medical devices have been transferred to the customers upon inception of the contract, notwithstanding that the titles to the medical devices may only be transferred to the customers upon full payment of the contract sum which may occur at any time during the contract period, the sales of medical devices under such Contracts have been accounted for as finance lease under IAS 17 Leases and finance lease receivables have been recognised accordingly.

The Group is not permitted to sell or pledge the equipment in the absence of default by the customer during the contract period.

The rate of return on the net investment in the above finance leases was at 16% and ranging from 3% to 17% per annum for the finance lease receivables which were outstanding at 31 December 2012 and 31 December 2013, respectively. The lease period of the finance lease arrangement was 3 to 8 years.

The Group's finance lease receivables are denominated in RMB, which is the functional currency of the relevant group entity.

22. DEFERRED TAX

	2013 **RMB'000**	2012 RMB'000
Deferred Tax assets	**2,142**	6,331
Deferred tax liability	**(7,500)**	–
	(5,358)	6,331

22. DEFERRED TAX (Continued)

The following are the major deferred tax assets (liability) recognised and movements thereon during the year ended 31 December 2013:

THE GROUP

	Allowance for bad debts RMB'000	Allowance for inventories RMB'000	Unrealised profit on inventories RMB'000	Provision for sale return RMB'000	Derivative financial instruments RMB'000	Accrued expenses RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2012	136	250	1,851	680	336	1,762	–	5,015
(Charge) credit to profit or loss for the year	(74)	(93)	2,637	(390)	(141)	63	–	2,002
Effect of change in tax rate	(19)	(30)	(21)	–	–	(616)	–	(686)
At 31 December 2012	43	127	4,467	290	195	1,209	–	6,331
(Charge) credit to profit or loss for the period	66	(48)	(3,928)	90	(195)	(115)	(7,500)	(11,630)
Deemed distribution upon completion of the Group Reorganisation *(note 34)*	(53)	(6)	–	–	–	–	–	(59)
At 31 December 2013	**56**	**73**	**539**	**380**	**-**	**1,094**	**(7,500)**	**(5,358)**

The Group has unused tax losses of approximately RMB13,955,000 (2012: RMB2,711,000) as at 31 December 2013 respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2013 RMB'000	2012 RMB'000
2017	**885**	885
2018	**1,289**	1,289
2019	**8,364**	–
No expiry	**3,417**	537
	13,955	2,711

22. DEFERRED TAX (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 5%, if applicable. No deferred taxation has been provided for the undistributed accumulated profits as at 31 December 2012 as the PRC subsidiaries of the Company were previously held by Pioneer Pharma, which was a PRC tax resident, prior to the Group Reorganisation which was completed in June 2013. As at 31 December 2013, the aggregate amount of temporary differences associated with undistibutable earnings of PRC subsidiaries amounted to RMB187,218,000. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB37,218,000 (2012: nil) as the Group has set aside such fund for the business development in the PRC and is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax liability approximately RMB7,500,000 was recognised in profit or loss during the year ended 31 December, 2013.

23. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2013, inventories including goods in transit of approximately RMB119,262,000 (2012: RMB105,493,000).

During the year ended 31 December 2013, allowance for inventories amounting to RMB329,000 (2012: RMB73,000) and reversal of allowance for inventories amounting to RMB795,000 (2012: Nil) have been recognised by the Group and included in cost of sales in the respective period.

24. TRADE AND OTHER RECEIVABLES

THE GROUP

	2013 RMB'000	2012 RMB'000
Trade receivables	**215,136**	122,234
Less: Allowance for doubtful debts	**(462)**	(107)
	214,674	122,127
Bill receivables	**97,241**	55,988
	311,915	178,115
Other receivables, prepayments and deposits	**4,608**	4,531
Less: Allowance for doubtful debts	**(7)**	(136)
	316,516	182,510
Interest receivables	**5,834**	6,156
Advance payment to suppliers	**4,336**	3,864
Other tax recoverable	**4,342**	7,567
Total trade and other receivables	**331,028**	200,097

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 to 180 days to its trade customers.

For sales of medical devices, except for sales of medical devices under finance lease pursuant to which the legal ownership is transferred upon full payment of the contract sum as disclosed in note 21, the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 months as stated in contracts are included in trade receivables. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the year ended date, which approximated the respective revenue recognition dates:

THE GROUP

	2013 RMB'000	2012 RMB'000
0–60 days	**169,897**	105,701
61 days to 180 days	**36,234**	15,080
181 days to 1 year	**8,055**	1,321
1 year to 2 years	**488**	25
	214,674	122,127

24. TRADE AND OTHER RECEIVABLES (Continued)

The aged analysis of bills receivable presented based on the issue date at respective reporting dates:

THE GROUP

	2013 RMB'000	2012 RMB'000
0–60 days	**60,570**	33,173
61 days to 180 days	**31,410**	18,466
181 days to 1 year	**3,671**	1,656
1 year to 2 years	**1,590**	2,693
	97,241	55,988

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB34,563,000 (2012: RMB14,042,000), which are past due as at 31 December 2013. However, the directors of the Company have considered the credit quality of the relevant customers and concluded that the Group is not required to provide for impairment loss for these balances. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired:

THE GROUP

	2013 RMB'000	2012 RMB'000
61 days to 180 days	**29,850**	12,702
181 days to 1 year	**4,225**	1,315
1 year to 2 years	**488**	25
	34,563	14,042

Movement in the allowance for doubtful debts:

THE GROUP

	2013 RMB'000	2012 RMB'000
Balance at beginning of the year	**243**	665
Impairment losses recognised on receivables	**500**	135
Impairment losses reversed	**(274)**	(557)
Balance at end of the year	**469**	243

24. TRADE AND OTHER RECEIVABLES (Continued)

The Group's trade and other receivables that are not denominated in the functional currencies of the respective group entities are as follows:

Original currency

THE GROUP

	US$ RMB'000	SGD RMB'000	HKD RMB'000	TWD RMB'000
As at 31 December 2013	**2,262**	**633**	**641**	**42**
As at 31 December 2012	1,204	381	640	–

25. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

	2013 RMB'000	2012 RMB'000
Derivative financial liabilities		
Foreign exchange forward contracts (a)	**–**	1,162
Derivative financial assets		
Interest rate swaps (b)	**–**	530
Warrants (c)	**–**	2,088
	–	2,618

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(a) Foreign exchange forward contracts – net settlement (not under hedge accounting)

Major terms of the foreign currency forward contracts are as follows:

31 December 2012

Notional amount	Maturity	Average exchange rates
Buy US$3,691,942, Sell RMB	28 February 2012 to 21 February 2013	6.3035
Buy US$2,492,061, Sell RMB	29 February 2012 to 28 February 2013	6.3010
Buy US$3,275,771, Sell RMB	22 March 2012 to 11 March 2013	6.3520
Buy US$1,466,146, Sell RMB	27 April 2012 to 26 April 2013	6.3640
Buy US$926,139, Sell RMB	13 April 2012 to 10 April 2013	6.3410
Buy US$3,969,273, Sell RMB	13 April 2012 to 10 April 2013	6.3410
Buy US$3,834,931,Sell EUR	17 May 2012 to 10 April 2013	1.2792

No outstanding foreign currency forward contracts as at 31 December 2013.

(b) Interest rate swaps – net settlement (not under hedge accounting)

The Group uses interest rate swaps to minimise its exposure to interest expenses of certain of its floating-rate US dollar bank borrowings by swapping the floating interest rate to fixed interest rate.

Major terms of the interest rate swap are as follow:

31 December 2012

Notional amount	Maturity	Receiving floating	Pay fixed
US$3,691,942	28 February 2012 to 21 February 2013	SIBOR+1.89%	2.95%
US$2,492,061	29 February 2012 to 28 February 2013	SIBOR+1.63%	2.70%
US$3,275,771	22 March 2012 to 13 March 2013	SIBOR+1.45%	2.50%
US$926,139	13 April 2012 to 10 April 2013	SIBOR+1.35%	2.40%
US$3,969,273	13 April 2012 to 10 April 2013	SIBOR+1.35%	2.40%
US$1,466,146	27 April 2012 to 26 April 2013	SIBOR+0.75%	1.80%

No outstanding interest rate swap as at 31 December 2013.

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(c) Warrants

The Group entered into a unit purchase agreement with Novabay Pharmaceuticals, Inc. ("Novabay"), an independent third-party on 13 September 2012, pursuant to which the Group purchased an aggregate amount of 2,000,000 units, each unit comprising (a) one share of Novabay's common stock and (b) a detachable warrant to purchase, at an exercise price of US$1.50, one share of Novabay's common stock for a total consideration of US$2,500,000 (approximately RMB15,700,000). The shares of Novabay held by the Group are classified as available-for-sale investment and presented as "Other investments" in the consolidated statement of financial position. The unit purchase agreement was completed in 2 tranches on 13 September 2013 and 31 October 2012, respectively.

Pursuant to the warrant agreements executed by Novabay on 13 September 2012 and 31 October 2012 respectively, the expiration date of the warrants is on 31 August, 2013.

The Black-Scholes option pricing model has been used to estimate the fair value of the warrants from date of grant up until the time immediate prior to the warrants amendment on 9 May 2013 and the estimated fair values of the warrants at the date of grant and at the year end of 31 December 2012 using the following inputs:

	13.09.2012	31.10.2012	31.12.2012
Exercise price	US$1.50	US$1.50	US$1.50
Stock price	US$1.49	US$1.32	US$1.13
Expected volatility	81.72%	76.33%	75.28%
Expected life	0.96 years	0.83 years	0.67 years
Risk-free rate	0.14%	0.14%	0.09%
Expected dividend yield	0.00%	0.00%	0.00%

Fair value of financial assets pursuant to the warrant agreements executed by Novabay on 13 September 2012, 31 October 2012 and 31 December 2012 are US$369,000 (equivalent to approximately RMB2,334,000), US$361,000 (equivalent to approximately RMB2,274,000) and US$329,000 (equivalent to approximately RMB2,088,000) respectively.

Expected volatility was determined by using the historical annualized daily volatility of Novabay, and the volatility adopted is based on the expected life of the warrants on each valuation date. The risk-free rates used were by reference to United States of America treasury bonds with duration close to the time to expiration.

The Group entered into a warrant amendment agreement dated 9 May 2013 ("Warrant Amendment Agreement") pursuant to which the expiration date of the warrants is changed from 31 August, 2013 to 29 November 2013 and the Group agrees to exercise each warrant on or before 29 November 2013 for a considerations of US$3 million. The fair value of the warrants is determined based on the stock price less discounted exercise price times the number of warrants outstanding thereafter.

On 25 November 2013, Pioneer Singapore entered into the common stock purchase agreement with Novabay in relation to, among other things, the cancellation of the warrants and obligations under the Warrant Amendment Agreement and purchase of 5,000,000 shares of Novabay at an aggregate purchase price of US$5,700,000 and a gain on initial recognition of approximately RMB7,965,000 (2012: Nil) was recognised in other gains and losses during the year. Upon the cancellation of the warrants, the fair value of the warrants is charged to profit and loss approximated RMB2,090,000 for the year ended 31 December 2013.

25. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(d) Other derivatives

Pursuant to the Investment Agreement and a separate convertible loan agreement entered into by Q3 and Pioneer Singapore on 17 April 2013 ("Investment and Convertible Debt Agreement"), Q3 has the rights to request Pioneer Singapore to provide long term unsecured funding of EUR1 million (equivalent to RMB8 million) and EUR1.5 million (equivalent to RMB12 million) on 30 November 2013 and 15 March 2014 respectively (referred to herein as the "Funding Right 1" and "Funding Right 2", respectively). The above said funding will be provided at the discretion of Pioneer Singapore by either subscribe for convertible debt instruments issued by Q3 or Q3 may request Pioneer Singapore to act as a guarantor for the same amount of bank borrowings.

In the event that Pioneer Singapore elects to subscribe for convertible debt instruments issued by Q3, Pioneer Singapore has an option to convert the convertible debt instruments into shares of Q3 in accordance with a specified conversion formula stated in the Investment and Convertible Loan Agreement where conversion option is exercisable within three years from the date of subscription.

In the event that Q3 requests Pioneer Singapore to act as a guarantor for bank borrowings, the difference between the amount of bank interest payable by Q3 and a rate of 10% per annum shall be either paid or received by Pioneer Singapore.

The fair value of the Funding Right 1 and the Funding Right 2 are estimated at approximately RMB750,000 and RMB1,344,000, respectively, by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"). JLL has appropriate qualifications and experiences in the valuation of similar financial instruments. The address of JLL is 25th Floor, Plaza 66, Tower 2, 1366 Nanjing Road West, Shanghai, 200040, China.

The valuation was determined based on the difference of cost of funding based on the contracted interest rate and estimated market interest rate of the counter party of 15.75%.

On 30 November, 2013, Pioneer Singapore subscribed Q3 CB2 under the Funding Right 1 and converted into 10,401 ordinary shares on 2 December 2013.

On 31 December 2013, Pioneer Singapore entered into a Loan Agreement (the "Q3 Loan Agreement") with Q3 in relation to, among other things, Q3 waived its rights on requesting Pioneer Singapore for Convertible Loan 3 or to act as the guarantor, and, instead, the granting of a unsecured loan of EUR1,500,000 (the "Q3 Loan") by Pioneer Singapore to Q3 and to be repaid on or before 31 December 2016. Pioneer Singapore will negotiate the interest rate that reflects market conditions upon drawn down of loan. The Q3 Loan was fully drawn down in January 2014.

26. STRUCTURED NOTE

The Group had entered into an agreement to purchase an unsecured Chinese RMB structured note on 20 December 2013 with an offshore bank. According to this note, the Group will receive a redemption amount of 102% of the nominal amount of RMB20,000,000 if the equivalent amount of RMB per one US$ (the "Fixing Rate") as quoted by the offshore bank on 20 June 2014 ("Determination Date") is equal to or less than the strike rate of 6.015 and receive a redemption amount of 100% of the nominal amount if the Fixing Rate on Determination Date is greater than the strike rate. The structured note was designated at FVTPL on initial recognition and the fair value was determined based on the prices that the offshore bank would redeem discounted by the market interest rate as at 31 December 2013. A fair value loss of approximately RMB171,000 was recognised in profit or loss during the year ended 31 December 2013.

27. PLEDGED BANK DEPOSITS, RESTRICTED BANK DEPOSITS, CERTIFICATE OF DEPOSIT AND BANK BALANCES AND CASH

Pledged bank deposits

The Group's pledged bank deposits represent deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets. The deposits are released upon the settlement of relevant bank borrowings.

The pledged deposits carry fixed interest rate that range from 3.30% to 4.35% (2012: from 3.30% to 4.35%) per annum as at 31 December 2013.

As disclosed in Note 2, the Principal Business has been transferred to the Group upon the completion of the Group Reorganisation. The Transferred Business included a pledge bank deposit of approximately RMB304,282,000 as at 31 December 2013, which was used to secure bank borrowings of the Group's offshore entity. The legal title of such bank deposit is restricted from transfer under bank arrangement. Pioneer Pharma is holding such bank deposit on trust on behalf of the Group.

Restricted bank deposits

The Group's restricted bank deposits represent the secured bank balance for short-term letter of credit for trade payables. The Group is required to maintain a certain level of bank balances as security and the deposits are released upon the discharge of the relevant letters of credit.

As at 31 December 2012, the restricted bank deposits carry fixed interest rate 0.35%.

Certificate of deposit

The Group's balance includes a 6 month fixed rate certificate of deposit of RMB60,000,000 that carried an interest rate of 2.30%, with maturity date on 21 June 2014.

Bank balances and cash

The Group's bank balances carry interest at market rates that range from 0.01% to 0.50% (2012: from 0.01% to 0.50%) per annum as at 31 December 2013.

The Group's pledged bank deposits, restricted bank deposits and bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currency

	US$ RMB'000	SGD RMB'000	EUR RMB'000	HKD RMB'000	TWD RMB'000
As at 31 December 2013	**8,106**	**197**	**9**	**7,319**	**1,048**
As at 31 December 2012	–	1,131	23,984	168	–

28. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

THE GROUP

	2013 RMB'000	2012 RMB'000
Trade payables	**318,618**	244,356
Payroll and welfare payables	**3,138**	3,393
Advance from customers	**1,261**	15,841
Other tax payables	**6,857**	2,166
Marketing service fee payables	**11,167**	9,094
Interest payables	**2,110**	2,450
License fee payables	**–**	2,200
Deposits received from distributor	**10,540**	4,731
Accrued IPO related charges	**2,760**	–
Other payables and accrued charges	**30,425**	6,609
	386,876	290,840
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**(26,134)**	–
	360,742	290,840

Note: The amount represents the accruals for the cost of medical devices which are sold under Contracts and is not payable within one year.

The Group typically receives credit periods on its purchases of goods from 30 days to 180 days.

The following is an aged analysis of trade payables presented based on the delivery date at the end of the reporting dates:

THE GROUP

	2013 RMB'000	2012 RMB'000
0 to 90 days	**302,201**	196,030
91 to 180 days	**16,417**	48,326
	318,618	244,356

The Group's trade and other payables that are not denominated in the functional currencies of the respective group entities are as follows:

Original currency

THE GROUP

	US$ RMB'000	**SGD RMB'000**	**EUR RMB'000**	**HKD RMB'000**
As at 31 December 2013	**35,245**	**101**	**18,219**	**8**
As at 31 December 2012	17,691	162	24,987	24

29. RELATED PARTIES DISCLOSURES

THE GROUP

(a) The name of related companies of the Group and their relationships with the Group are as follows:

Name of related companies	Relationships with the Group
(1) 海南三風友製藥有限公司 Hainan San Feng You Limited ("Hainan San Feng You")	Company controlled and beneficially owned by close family member of Mr. Li
(2) Covex, S.A.	Associate of Pioneer Pharma from 25 May 2012
(3) 洋浦新洲投資有限公司 Yangpu Xinzhou Investment Company Limited ("Xinzhou Investment")	Company controlled and beneficially owned by Mr. Li
(4) 洋浦安邦投資有限公司 Yangpu Anbang Investment Company Limited ("Anbang Investment")	Company controlled and beneficially owned by Mr. Li
(5) 先鋒醫藥股份有限公司 Pioneer Pharma *(note)*	Company controlled and beneficially owned by Mr. Li

Note: Pioneer Pharma became a related party of the Group upon the completion of the Group reorganisation.

(b) The name of related parties of the Group who are individual and their relationships with the Group are as follows:

Name of related parties	Relationships with the Group
(1) Mr. Yuen Sengcheong ("Mr. Yuen")	Key management personnel of the Group
(2) Mr. Yang Zhiyu ("Mr. Yang")	Key management personnel of the Group
(3) Mr. Zhang Wenbin ("Mr. Zhang")	Key management personnel of the Group

(c) Except as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the reporting period:

	2013 RMB'000	2012 RMB'000
Purchase of finished goods from Hainan San Feng You	**42**	513
Purchase of finished goods from Covex, S.A.	**29,853**	11,933
Purchase of finished goods from Pioneer Pharma	**828**	–
Sales of finished goods to Pioneer Pharma	**(288)**	–
Rental expense paid to Controlling Shareholders	**300**	–
Rental expense paid to Pioneer Pharma	**126**	–

29. RELATED PARTIES DISCLOSURES (Continued)

(c) (Continued)

Historically, certain office premise occupied by the Group was owned by Mr. Li and Mrs. Li which was rented to the Group free of charge. On 19 June 2013, Naqu Pioneer and Xinzhou Investment formalised the lease arrangement and entered into an agreement pursuant to which Naqu Pioneer has agreed to pay a monthly rental of RMB50,000 to Xinzhou Investment for the continuing use of the office premises for a term of three years commencing on 1 July 2013 and ending on 30 June 2016.

The Group further entered two lease agreements dated 6 June 2013 for renting office premises in Hainan and two vehicles from Pioneer Pharma for a fixed monthly rental of RMB15,000 and RMB3,000 per vehicle, respectively. The term of the agreements are for a period of three years commencing on 1 July 2013 and ending on 30 June 2016.

(d) Balances with related parties at end of reporting period are as follows:

	2013 RMB'000	2012 RMB'000	**Maximum amounts outstanding during the year 2013 RMB'000**
Name of the related parties			
Amount due from a related party			
Xinzhou Investment	**–**	–	**8,000**
Pioneer Pharma	**–**	–	**34,646**
	–	–	
Amount due to related parties – non current			
Mr. Yuen *(Note)*	**(400)**	–	
Mr. Yang *(Note)*	**(60)**	–	
	(460)	–	
Amount due to related parties – current			
Covex, S.A.	**(10,603)**	–	
Mr. Yuen *(Note)*	**–**	(400)	
Mr. Yang *(Note)*	**–**	(60)	
	(10,603)	(460)	

Note: During the year ended 31 December 2013, Mr. Yuen and Mr. Yang entered into loan agreements with Pioneer Ruici, pursuant to which Mr. Yuen and Mr. Yang extended the loans for a period of five years and the amounts will be repayable on 13 August 2017 and bear no interest.

29. RELATED PARTIES DISCLOSURES (Continued)

(d) (Continued)

According to a promotion partner agreement dated on 12 October 2011 entered into between Mr. Zhang and Pioneer Pharma and a supplemental agreement dated 1 January 2013 pursuant to which Pioneer Pharma assigns its rights and liabilities under the promotion partner agreement to Naqu Pioneer (the "Promotion Partner Agreement"), the Group appointed Mr. Zhang as a promotion partner of Salbutamol Easyhaler products in Jiangsu and Beijing areas of the PRC. The term of the Promotion Partner Agreement is seven years commencing 12 October 2011 and ending 11 October 2018 and a deposit of RMB 5 million is payable by Mr. Zhang. As of 31 December 2013, the Group received deposits of RMB2 million and recorded in other payable in the consolidated statement of financial position. No sale was made up to 31 December 2013.

(e) Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	**3,613**	2,340
Post employee benefits	**409**	290
	4,022	2,630

The Group determines remuneration of key management personnel by reference to the performance of individuals and market trend.

30. BANK BORROWINGS

THE GROUP

	2013 RMB'000	2012 RMB'000
Carrying amount of bank loans repayable within one year and shown under current portion	**429,545**	416,220
Analysed as:		
Secured	**429,545**	391,078
Unsecured	**–**	25,142
	429,545	416,220

30. BANK BORROWINGS (Continued)

As at 31 December 2013, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2013 RMB'000	2012 RMB'000
Pledge of assets		
Bills receivables	**1,655**	17,205
Pledged bank deposits	**304,282**	294,726
Buildings	**–**	2,169
	305,937	314,100

The following related parties have provided guarantees to banks to secure loan facilities to the extent of amounts as follows:

	2013 RMB'000	2012 RMB'000
Xinzhou Investment, Anbang Investment and Mr. Li	**–**	300,000

The ranges of effective interest rates on the Group's borrowings are as follows:

	2013	2012
Effective interest rate:		
Fixed-rate borrowings	**1.00% to 7.28%**	1.26% to 6.90%
Variable-rate borrowing	**N/A**	0.96% to 2.38%

The variable-rate borrowing bears interest at 6-Month LIBOR +1.8% and 1-Month SIBOR+ spread for both years.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

Original currency

	US$ RMB'000
As at 31 December 2013	**427,472**
As at 31 December 2012	335,880

31. PROVISION

THE GROUP

	Provision for sales return RMB'000
COST	
At 1 January 2012	2,797
Additions	3,454
Utilisations	(3,028)
At 31 December 2012	3,223
Additions	4,308
Utilisations	(3,309)
At 31 December 2013	**4,222**

The Group provides for sales returns based on its previous experience and the expiry dates of the products sold.

32. SHARE CAPITAL

Since the Company was only set up in February 2013, and Pioneer Pharma would not form part of the Group as a result of the Group Reorganisation, therefore, no details of combined share capital of group entities are presented as at 31 December 2012.

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised:			
On 5 February 2013 (date of incorporation) *(note a)*	500,000,000	5,000,000	31,397
Addition *(note c)*	2,500,000,000	25,000,000	50,699
At 31 December 2013	**3,000,000,000**	**30,000,000**	**82,096**
Issued and fully paid:			
At incorporation *(note a)*	1	0.01	–
Issuance of shares on 14 February 2013 *(note b)*	99	0.99	–
Issuance of shares on 13 June 2013 *(note b)*	100,100,000	1,001,000	6,286
Issuance of shares at 6 September 2013 *(note b)*	399,899,900	3,998,999	24,677
Capitalisation issue *(note c)*	500,000,000	5,000,000	30,963
Issuance of shares upon initial public offering *(note d)*	333,334,000	3,333,340	20,170
At and 31 December 2013	**1,333,334,000**	**13,333,340**	**82,096**

32. SHARE CAPITAL (Continued)

(a) The Company was incorporated and registered as an exempted limited liability company in the Cayman Islands on 5 February 2013 with an authorised share capital of US$5 million divided into 500,000,000 shares of US$0.01 each. Upon its incorporation, one share was allotted and issued to initial subscriber.

(b) On 14 February 2013, the initial subscriber transferred that one share to Pioneer BVI at a consideration of US$0.01 and Pioneer BVI subscribed for an additional 99 shares at par value in cash, and the Company became a wholly owned subsidiary of Pioneer BVI. On 13 June 2013, the Company allotted and issued additional 100,100,000 shares to Pioneer BVI at par value for cash consideration. On 6 September 2013, the Company allotted and issued additional 399,899,900 shares to Pioneer BVI at par value for cash consideration.

(c) Pursuant to written resolutions of the shareholders passed on 16 October 2013, inter-alia, the authorised share capital of the Company was increased from US$5,000,000 to US$30,000,000 by the creation of an additional 2,500,000,000 shares of US$0.01 each and the directors are authorised to issue 500,000,000 shares by way of capitalisation of share premium account on the date of listing of the Company on the Stock Exchange.

(d) On November 5, 2013, 333,334,000 shares of US$0.01 each of the Company, amounting to US$3,333,340 (approximately RMB20,170,000), were issued at HK$4.1 per share, which was equivalent to approximately RMB1,046,789,000, in total upon the listing of the shares of the Company on the Stock Exchange. Direct Transaction costs amounted to RMB58,833,000. The new shares allotted and issued rank pari passu in all respects with other shares in issue to the existing shareholders.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At the end of each reporting period, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				2013 %	2012 %	
Directly held						
Pioneer HK 先鋒醫藥(香港)有限公司	Hong Kong	19 February 2013	US$5,000,000	100	N/A	Investment holding
Indirectly held						
Pioneer Medical (HK) 先鋒醫療器材(香港)有限公司	Hong Kong	27 June 2012	HKD 1,000,000	60	60	Sales of medica devices in Hong Kong
Pioneer Medident	Singapore	27 August 2012	SGD 120,000	60	60	Sales of medical devices in Southeast Asia
Xiantao Medical*1 仙桃先鋒醫療服務有限公司	PRC	22 March 2013	US$1,000,000	100	N/A	Sales of pharmaceutical products and medical devices
Xiantao Pioneer*2 仙桃市先鋒醫藥有限公司	PRC	31 July 2009	RMB10,000,000	100	100	Sales of pharmaceutical products

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

At the end of each reporting period, the Company has direct and indirect equity interests in the following subsidiaries: (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				2013 %	2012 %	
Indirectly held (Continued)						
Pioneer Ruici*2 上海先鋒瑞瓷醫療器械有限公司	PRC	2 September 2011	RMB4,000,000	70	70	Sales of dental devices
Pioneer Singapore 先鋒醫藥(新加坡)私人有限公司#	Singapore	16 February 2011	SGD1	100	100	Sales of medical devices
Naqu Pioneer*2 那曲地區先鋒醫藥有限公司	PRC	21 January 2010	RMB2,800,000	100	100	Sales of imported in-licensed prescription products
Shanghai Saierling Trading Company Limited 上海賽洱靈貿易有限公司	PRC	15 August 2013	RMB1,000,000	60	N/A	Sales of medical devices
Haikau Pioneer Pharma Leasing Company Limited 海口先鋒醫藥租賃有限公司	PRC	18 December 2013	RMB290,000,000	100	N/A	Sales of medical devices and ancillary tools and accessories leasing
Pioneer Dynamic Co., Ltd* 先鋒泰醫藥股份有限公司	Taiwan	10 October 2013	TWD 10,000,000	60	N/A	Sales of medical devices
Ruici Dental Technology Co., Ltd* 上海瑞瓷齒科技術有限公司	PRC	4 December 2013	RMB200,000	70	N/A	Research on Technology

* The English name is for identification purpose only.
\# The Chinese name is for identification purpose only.

Notes:

1. Established in the PRC in the form of wholly foreign-owned enterprise.
2. Established in the PRC in the form of domestic companies with limited liabilities.

At the end of the reporting period, the Group do not have significant non-controlling interests and accordingly, no futher details of non-controlling interests are presented.

34. NON-CASH TRANSACTIONS

Assets and liabilities that are derecognised by or reinstated the Group on the date of completion of Group Reorganisation are as follows:

	RMB'000
Assets or liabilities reinstated	
Amount due from Pioneer Pharma	34,646
Dividend payable to Pioneer Pharma	(92,652)
	(58,006)
Assets or liabilities derecognised	
Deferred tax assets *(note 22)*	(59)
Dividend payables to shareholders of Pioneer Pharma	26,020
Other receivable	(106)
Other payable	776
Investment properties *(note 16)*	(6,390)
Property, plant and equipment *(note 16)*	(8,479)
Tax recoverable	(1,083)
	10,679
	(47,327)

35. OPERATING LEASES

As lessee

As at 31 December 2013, the Group had commitments to make the following future minimum lease payments in respect of premises rented under non-cancellable operating leases which fall due as follows:

THE GROUP

	2013 RMB'000	2012 RMB'000
Within one year	**999**	–
In the second to fifth years inclusive	**1,507**	–
	2,506	–

Operating lease payments represent rentals payable by the Group for certain of its properties. The leases terms are negotiated within 3 years and rentals are fixed for the terms.

35. OPERATING LEASES (Continued)

As lessor

Property rental income and equipment rental income earned for each of the year ended 31 December 2013 were RMB410,000 and RMB402,000, respectively (2012: RMB775,000 and nil, respectively). The lease has a fixed term of 3 years and 5 years, respectively.

As at 31 December 2013, the Group had contracted with tenants for the following future minimum lease payments:

THE GROUP

	2013 RMB'000	2012 RMB'000
Within one year	**84**	758
In the second to fifth years inclusive	**126**	1,539
	210	2,297

36. RETIREMENT BENEFITS SCHEME

The Group's PRC subsidiaries and Singapore subsidiaries are required to make contributions to the state-managed retirement schemes operated by respective local governments based on certain percentage of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The only obligation of these subsidiaries with respect to the state-managed schemes is to make the specified contributions.

The Group's employees employed in Hong Kong are required to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The Group's contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Ordinance of Hong Kong.

The total cost charged to profit or loss of approximately RMB8,061,000 (2012: RMB5,503,000) for the year ended 31 December 2013, represents contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2013, contributions due in respect of the reporting period had not been paid over to the schemes are approximately RMB571,000 (2012: RMB443,000).

37. CAPITAL COMMITMENT

	2013 RMB'000	2012 RMB'000
Capital expenditure authorised but not contracted for	**720,392**	–

38. SUMMARY OF FINANCIAL INFORMATION

a) Statement of financial position of the Company

	2013 RMB'000
Non-current Assets	
Investment in a subsidiary	30,333
Other investments	811
	31,144
Current Assets	
Other receivables	698
Amounts due from subsidiaries	295,927
Structured note	19,829
Certificate of deposit	60,000
Bank balances and cash	650,874
	1,027,328
Current Liability	
Other payables	23,208
Amounts due to subsidiary	7,886
	31,094
Net Current Assets	996,234
Total Assets less Current liability	1,027,378
Capital and Reserves	
Share capital	82,096
Reserves	945,282
Total Equity	1,027,378

38. SUMMARY OF FINANCIAL INFORMATION (Continued)

b) Movement in reserves

	Share Capital RMB'000	Share premium RMB'000	Accumulated loss RMB'000	Investment valuation reserve RMB'000	Total RMB'000
At date of incorporation	–	–	–	–	–
Loss for the period	–	–	(11,851)	–	(11,851)
Other comprehensive income	–	–	–	140	140
Total comprehensive (expense) income	–	–	(11,851)	140	(11,711)
Issue of shares of the Company	30,963	–	–	–	30,963
Issue of share upon initial public offering	20,170	1,000,855	–	–	1,021,025
Share issue expenses	–	(12,899)	–	–	(12,899)
Capitalisation issue	30,963	(30,963)	–	–	–
At 31 December 2013	**82,096**	**956,993**	**(11,851)**	**140**	**1,027,378**

39. SUBSEQUENT EVENTS

On 14 January 2014, the Company and Q3 entered into a supplemental agreement to the Q3 Loan Agreement fixing the interest rate of the unsecured Q3 Loan at 10% per annum, which will accrue on the principal amount of the Q3 Loan from day to day and shall be paid by Q3 to the Company upon repayment of the Q3 Loan. The Q3 loan was drawn down with an amount of EUR500,000 and EUR1,000,000 on 10 January 2014 and 15 January 2014, respectively, and to be repaid on or before 31 December 2016. Details of the terms of the Q3 Loan as set out in note 25.

On 17 March 2014, Naqu Pioneer has entered into a sale and purchase agreement to purchase the entire interests in a company, which is wholly owned by two independent third parties and is engaged in property holding, for a total consideration of RMB31.0 million which will be satisfied by cash, The directors are in the process of assessing the financial impact of the acquisition.