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

Interim Report 2016

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xinzhou *(Chairman)*
Mr. Wang Yinping *(Chief Executive Officer)*
Mr. Zhu Mengjun *(Chief Financial Officer)*

Non-executive Director

Mr. Wu Mijia

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. Wu Mijia

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Zhu Mengjun
Ms. Mok Ming Wai

JOINT COMPANY SECRETARIES

Mr. Min Le
Ms. Mok Ming Wai *(FCIS, FCS)*

REGISTERED OFFICE

190 Elgin Avenue
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Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTERS

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Putuo District
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Intertrust Corporate Services (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISOR

Ashurst Hong Kong

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

01345

COMPANY'S WEBSITE

http://www.pioneer-pharma.com

Financial Highlights

- Revenue of the Group for the six months ended 30 June 2016 was RMB806.0 million, which represents a 0.3% increase compared to RMB803.2 million for the same period last year, and a sequential increase of 22.6% over the second half of last year.

- Net profit of the Group for the six months ended 30 June 2016 was RMB100.0 million, which represents a 37.8% decrease compared to RMB160.8 million for the same period last year, and a sequential increase of 757.4% over the second half of last year (or a sequential increase of 50.5% over the second half of last year, if excluding the impairment loss on goodwill and impairment loss net off reversal on investment in associates which totally amounted to RMB56.0 million in the second half of last year and RMB1.8 million in the six months ended 30 June 2016).

- Basic earnings per share for the six months ended 30 June 2016 was RMB0.076, which represents a 37.7% decrease compared to RMB0.122 for the same period last year, and a sequential increase of 590.9% over the second half of last year.

- The Board declared an interim dividend of RMB7.1 cents per share, which represents a 24.6% increase compared to RMB5.7 cents per share for the same period last year.

	For the six months ended				
	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (unaudited)	30 June 2015 RMB'000 (unaudited)	30 June 2014 RMB'000 (unaudited)	30 June 2013 RMB'000 (audited)
Operating results					
Revenue	**806,029**	657,656	803,243	738,787	551,330
Gross profit	**251,310**	209,852	252,725	241,255	163,233
Profit before income tax	**116,563**	24,348	182,447	158,090	124,922
Profit for the period	**100,015**	11,665	160,836	136,030	111,080
Profit for the period, all attributable to the owners of the Company	**98,807**	12,338	161,964	136,656	112,499

Company Overview

China Pioneer Pharma Holdings Limited (the "**Company**", together with its subsidiaries, 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. Founded in 1996, the Group has over two decades of operating history.

The Group provides comprehensive marketing, promotion and channel management services to small and medium-sized overseas suppliers that lack of sufficient manpower or ability to independently market their products in the rapidly growing healthcare market in China. The Group provides co-promotion and channel management services to Alcon, the world's largest eye care products company.

Marketing and promotion services that the Group provides include formulating marketing and promotion strategies, educating individual physicians on the clinical uses and benefits of the Group's products, organising academic conferences, seminars, symposiums and other promotional activities, and appointing and supervising third-party promotion partners (who are responsible for most of the day-to-day marketing and promotional activities). When required by its suppliers, the Group also manages the product registration process that is necessary to enable the sale of imported pharmaceutical products and medical devices in China.

Channel management services that the Group provides focus on customs clearance and warehousing, participating in tender processes that are a requirement for selling pharmaceutical products and medical devices to public hospitals and medical institutions, appointing and managing distributors (who primarily process purchase orders, deliver products and collect payments), managing and optimising inventory levels at distributors and hospitals, and collecting, integrating and analysing sales data.

The Group currently purchases its products primarily from several major suppliers based in Europe and North America. These products offset unmet medical needs because of their superior clinical profiles, or improved quality and formulations, or the relatively limited competition in China's market.

As of 30 June 2016, the Group had over 260 in-house marketing and promotion employees, over a thousand third-party promotion partners and over 500 distributors. For the six months ended 30 June 2016, the Group sold its products through its nationwide marketing, promotion and channel management service network to a total of over 29,600 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

Management Discussion and Analysis

OPERATION REVIEW

As 2016 progresses, the slowdown of China's macro economic growth saw the government responding by introducing supply-side structural reforms. There have been a number of policies related to the pharmaceutical industry being announced, including the policies on "Consistent Evaluation of Generic Drugs" and "Two-Invoice System and VAT Model", as well as the launch of a wave of tender processes in various provinces, and the accelerated reform witnessed in the public hospitals, all of which have a significant impact on China's pharmaceutical industry. On the other hand, as the idea of a "Healthy China" has been raised as a nationwide strategic objective under the "13th Five-Year Plan", and coupled with the aging population in China, the long term potentials and demand in the pharmaceutical industry remain positive and strong. Operating in a distinctive and important segment of the pharmaceutical industry, the Group, leveraging on its competitive strength, will strive to seize appropriate opportunities to further develop its business amid the challenging market environment.

In 2015, especially in the second half of the year, the Group encountered a number of uncontrollable factors resulting its product development to experience pressures and challenges. As a result, the overall operating performance of the Group in 2015 was adversely affected with the Group's operating performance in the first half of 2015 much better than that of the second half. Since 2016, as these external factors gradually faded away, the Group's operating performance is moving back on track.

For the six months ended 30 June 2016 (the "**Reporting Period**"), the Group's revenue increased by 0.3% compared to the same period last year to RMB806.0 million, which represented a sequential increase of 22.6% over the second half of last year. Net profit decreased by 37.8% compared to the same period last year to RMB100.0 million, which represented a sequential increase of 757.4% over the second half of last year (or a sequential increase of 50.5% over the second half of last year, if excluding an impairment loss on goodwill and impairment loss net off reversal on investment in associates which totally amounted to RMB56.0 million in the second half of last year and RMB1.8 million in the six months ended 30 June 2016).

Since 2016, increasing cost controls by medical insurance and decreasing drug prices in the tender processes became the new normal. Notwithstanding such untiring pressures caused by the government policies, the overall pharmaceutical industry appears to have been stabilised and is trending upwards. For the pharmaceutical products segment, the Group continues to adopted effective measures to proactively manage the impact brought on by the pricing policies and market changes, and as a result, achieved pleasing results. It managed to turn around from the unfavorable performance experienced in the second half of last year. For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.3% compared to the same period last year, and sequentially increased by 45.6% compared to the second half of last year to RMB259.6 million, representing 32.2% of the Group's revenue for the Reporting Period. Gross profit decreased by 3.1% compared to the same period last year, and sequentially increased by 45.7% compared to the second half of last year to RMB164.8 million, representing 65.6% of the Group's gross profit for the Reporting Period.

In 2015, the Group's sales of WaveLight Eagle laser surgical series decreased significantly due to the suspension of tender process on large scale equipment in public hospitals. Since 2016, the Group promptly adjusted its development strategy for the medical device business by focusing on development of other medical device consumables. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% compared to the same period last year, and sequentially increased by 1.9% compared to the second half of last year to RMB63.6 million, representing 7.9% of the Group's revenue for the Reporting Period. Gross profit increased by 25.2% compared to the same period last year, and sequentially decreased by 26.3% compared to the second half of last year to RMB33.6 million, representing 13.4% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group continued to maintain its close cooperation with Alcon via the provision of co-promotion and channel management services. The Group provides channel management services for all of Alcon's 24 ophthalmic pharmaceutical products sold in China and provides co-promotion services for these products. For the Reporting Period, the Group's revenue generated from products sold via the provision of co-promotion and channel management services increased by 8.1% compared to the same period last year, and sequentially increased by 15.8% compared to the second half of last year to RMB482.8 million, representing 59.9% of the Group's revenue for the Reporting Period. Gross profit decreased by 5.3% compared to the same period last year, and sequentially increased by 3.3% compared to the second half of last year to RMB52.9 million, representing 21.1% of the Group's gross profit for the Reporting Period.

1 Product Development

As of 30 June 2016, the Group had a product portfolio of pharmaceutical products (substantially all of which were prescription products) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, respiratory, gastroenterology and other therapeutic areas; and medical devices covering several medical specialties including ophthalmology, odontology and wound care products.

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

	For the six months ended					
Category	30 June 2016 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	31 December 2015 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	30 June 2015 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:						
Pharmaceutical Products	259,631	32.2	178,356	27.1	286,116	35.6
Medical Devices	63,611	7.9	62,421	9.5	70,385	8.8
Gross Profit:						
Pharmaceutical Products	164,779	65.6	113,059	53.9	169,969	67.3
Medical Devices	33,610	13.4	45,577	21.7	26,853	10.6

During the Reporting Period, the market witnessed increasing cost controls exerted by medical insurance, drug price reduction pressure in the tender process in respective provinces and medical institutions limiting drug consumption has became the new normal. The Group responded by adopting a sensible bidding strategy highlighting the Group's products' superior quality. This strategy resulted in the Group's securing successive bids with reasonable pricing in a number of provinces where tender processes were held. Meanwhile, the Group continued to reinforce its marketing efforts with the aim to expanding market coverage and increasing sales volume. The Group's business segment of provision of comprehensive marketing, promotion and channel management services for pharmaceutical products is back on track. For the Reporting Period, revenue from this segment has shown significant sequential increase compared to the second half of last year.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB68.6 million, representing an increase of 18.2% compared to the same period last year, and a 26.4% sequential increase compared to the second half of last year. As the sole dosage product in the field of similar products, Difene successively won bids with favourable pricing in those provinces where tender processes were held. Not only did the Group maintain its existing markets for Difene, it also managed to extend market coverage by filling gaps identified. Through increasing marketing activities such as education programmes for doctors and patients on the product, and expanding its application to different departments in hospitals, the Group endeavoured to increase sales of Difene at each hospital. Furthermore, in view of the promotion of the policy on encouraging better utilisation of different medical institutions (分級診療政策), Difene has huge development potential in the primary medical market.

For the Reporting Period, the Group's revenue generated from the sales of Fluxum was RMB68.9 million, representing a decreased of 7.4% compared to the same period last year, but a sequential increase of 42.1% compared to the second half of last year. Fluxum is the originator of parnaparin, and comes with a series of three dosages. The Group capitalised on the range of different dosage offered by Fluxum, and strategically responded to the new round of drug tender processes around the country. As a result, the Group maintained Fluxum's position in the existing markets and also secured a stable pricing structure for the product. Since 2016, following a new round of tender process, the Group seized the opportunity presented by the exit of a number of competitors and tapped into certain new markets. During the Reporting Period, the Group continued to build on its network coverage for Fluxum by adding 120 new hospitals on top of the 300 plus new hospitals added to the network in 2015. Furthermore, by working closely with third-party promotion partners, the Group's in-house marketing team enhanced its efforts and participation in clinical promotion of Fluxum, which ensued increasing market share of Fluxum. Due to its leading market position in the fields of similar products, as well as the increasing recognition of anticoagulation among more hospitals, Fluxum has a solid foundation for long-term growth.

In the second half of 2015, due to the delay in the renewal of the imported drug licence of Polimod, the Group was unable to import and sell the products. With the approval of new licence, the Group has resumed importing and selling Polimod since April 2016. For the Reporting Period, the Group's revenue generated from the sales of Polimod (which was resumed in April 2016) was RMB43.4 million, representing a 41.0% decrease compared to the same period (six months) last year. At the beginning of this year, the Group entered into a supplemental agreement with the supplier, Polichem, pursuant to which the Group's rights to market, promote and sell Polimod has been extended from eight provinces to the whole territory of China. With respect to the new regions where the Group is authorised to market and promote Polimod, the Group carried out certain ground work to prepare such markets for the sale of Polimod, which paved the way for a smooth transition and as a result, Polimod was able to swiftly re-enter the market. Polimod is the originator of pidotimod, featuring obvious advantages in quality and clinical efficacy compared with the generic products and has established a strong reputation and brand recognition. By taking advantage of the broad application of Polimod in several departments in the hospitals, and the high level of recognition of its clinical efficacy by doctors, the Group will accelerate its marketing efforts and tap into the vast potential market presented by the expanded territory covered by the authorisation, and to increase the sales volume of Polimod. The Group is confident of Polimod's future development.

The Group has also firmly pressed ahead with the development of its other products in the pharmaceutical products segment (including Neoton, the Easyhaler series products, Macmiror Complex, Vinpocetine API, etc.). For the Reporting Period, the Group's revenue generated from the sales of these products was RMB78.7 million, representing an decrease of 1.8% compared to the same period last year, and a 4.2% sequential increase compared to the second half of last year. The Group's cardiovascular product Neoton, in respect of which the Group obtained the exclusive rights to import, sell and co-promote at the end of 2014, continued to experience significant growth. As the sole imported product and the originator of creatine phosphate sodium for injection, Neoton generally managed to win bids in the provincial tender process with favourable pricing. Meanwhile, the Group organised promotion activities by more frequently utilising the international academic status of the product, so as to strengthen the product recognition among doctors and patients and with the ultimate aim to increase the sales volume of the product. The Easyhaler series products are inhalation drugs used for the treatment of asthma and chronic obstructive pulmonary disease ("**COPD**") in respiratory therapeutic area, which deliver a scientific and standard theory and method for treatment of asthma and COPD. The Group continues to enhance its academic promotion efforts, so as to shorten the period by which doctors convert their treatment theory. As an exclusive suppository product in Nifuratel products field, Macmiror Complex maintained its market share in the gynecology therapeutic area. For Vinpocetine API, certain customers' sales of Vinpocetine finished products were affected by the tender results, which led to a fluctuation in the demand for Vinpocetine API. The Group is actively developing new clients among those who have newly obtained the approval to manufacture Vinpocetine and potential customers who are applying for such approval, to create new demand for the product.

During 2015, the Group's sales of WaveLight Eagle laser surgical series were decreased significantly due to the suspension of tender process on large scale medical equipment in public hospitals, which also adversely impacted the Group's overall performance. The Group adjusted its strategy and development plan for the medical devices business and focused on medical consumables. The Group's intraocular lens ("**IOL**"), odontology equipment and consumables achieved steady development. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% compared to the same period last year to RMB63.6 million, representing a 1.9% sequential increase compared to the second half of last year.

NeutroPhase, a wound cleanser featuring prominent sterilising effect, highly safety for cells and exclusive patent technology, is a consumable product among the Group's portfolio of medical devices. The product was officially launched in the market last year. During the Reporting Period, the issue of not having a charge code in hospitals remained an issue for NeutroPhase, which in turn adversely impacted the sales of the product. Nevertheless, the Group, following its unremitting efforts, has seen significant progress in rectifying such issue in several provinces. The Group will continue to follow up closely and resolve this issue promptly. Meanwhile, the Group continued to carry out market cultivation and increase investment in the market for NeutroPhase and achieved obvious development. As of 30 June 2016, NeutroPhase had won bids in 27 cities, and covered over 90 hospitals and medical institutions (including almost over 40 Class III hospitals) in these cities. In addition, the Group ran analysis of a large volume of data collected from clinical studies and a number of joint clinical studies with several renowned Class III hospitals in China. The Group then presented such studies at academic promotion activities organised by Group targeted at key opinion leaders and doctors in the wound care area. The clinical effectiveness of NeutroPhase was recognised by a growing number of experts and doctors. The Group believes that NeutroPhase will become a significant contributor to the Group's performance due to its vast market potential.

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

Category	For the six months ended 30 June 2016 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	31 December 2015 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	30 June 2015 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:						
Alcon series ophthalmic pharmaceutical products	**482,787**	**59.9**	416,879	63.4	446,742	55.6
Gross Profit:						
Alcon series ophthalmic pharmaceutical products	**52,921**	**21.1**	51,216	24.4	55,903	22.1

The Group is the sole provider of channel management services for all of Alcon's ophthalmic pharmaceutical products in China, and also provides co-promotion services for Alcon.

In the second half of 2015, Alcon adjusted its business strategy in China which resulted in some fluctuations in the sales of Alcon's ophthalmic pharmaceutical products. Further, a reduction in bid price in certain provinces following the tender process had also impacted the sales of Alcon's ophthalmic pharmaceutical products. Since 2016, notwithstanding the continued pricing pressure for Alcon's pharmaceutical products in certain provinces, with the more targeted promotion activities and more detailed market cultivations, sales of Alcon's pharmaceutical products are back on track. Besides, Alcon launched a new ophthalmic product in China to meet the demand of more patient population. The Group also further enhanced the efforts of co-promotion services for Alcon's products. For the Reporting Period, the Group's revenue generated from the sales of Alcon series ophthalmic pharmaceutical products increased by 8.1% compared to the same period last year to RMB482.8 million, representing a 15.8% sequential increase compared to the second half of last year, and contributing 59.9% of the Group's revenue. Gross profit decreased by 5.3% compared to the same period last year to RMB52.9 million, representing a 3.3% sequential increase compared to the second half of last year, and contributed 21.1% of the Group's gross profit.

1.3 Product Pipeline

Since 2015, the policy on registration of healthcare products has changed significantly and the process is becoming more difficult. In spite of that, the Group remains committed to seeking prospective product candidates for marketing, promotion and sales from overseas pharmaceutical and medical device companies. During the Reporting Period, the Group entered into a framework agreement with Inami of Japan ("**Inami**"), pursuant to which the Group was granted the exclusive marketing, promotion and channel management rights with respect to Inami ophthalmic medical devices marketed under the "Inami" brand in China. Its main products include synoptiscopes and certain ophthalmic surgical instruments. In addition, preparations for clinical trials have commenced for Mirtazapine (produced by Ehypharm of France, mainly used for the treatment of depressive episodes) and Quetiapine (produced by Orion of Finland, mainly used for the treatment of schizophrenia and moderates to severe manic episodes of bipolar disorder), both of which had obtained the clinical trial approval in the second half of 2015.

2 Marketing Network Developments

With the introduction of more policies relating to the healthcare industry, and the constant changes in the pharmaceutical market environment, having a well-developed and robust marketing network is fundamental for the Group's development. The Group's marketing and promotion model comprises in-house marketing team and a team of 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 third-party promotion partners, who are responsible for the most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, each business unit of the Group, which was responsible for certain assigned products, focused on creating a more professional in-house marketing team and a team of third-party promotion partners to enhance operational efficiency and market responsiveness. The Group's headquarters was responsible for formulating macro marketing and promotion policies and ensuring resources are allocated in an efficient manner, so that the Group as a whole can allocate resources and manage costs efficiently.

In terms of building a professional marketing team, the Group continued to develop its in-house marketing team through internal reorganisation of human resources as well as recruitment of new talent externally, and further increased the involvement of its in-house marketing team in marketing activities such as direct participation in academic promotion of products. Concurrently, the Group increased its efforts in improving the quality of its third-party promotion partners, including providing further training and support to improve their understanding of the Group's products, and ensuring that accurate clinical solutions are provided to physicians in relation to the therapeutic area of the products. In terms of managing the marketing team, the Group has introduced detailed management and performance review process, to improve the team's efficiency, improve the network coverage by filling any gaps identified in the market and realise market potentials. In addition, the Group aims to improve the communication channel and platform with its third-party promotion partners to enable efficient information and experience sharing, and to jointly tackle changes in government policies and in the market. During the Reporting Period, the Group's market coverage grew substantially as a result of the improvement of its marketing network. For instance, Difene's market coverage has increased by over 400 new hospitals and medical institutions, and Fluxum's market coverage has increased by over 120 new hospitals. As of 30 June 2016, the Group had sold products through its nationwide marketing, promotion and channel management services networks to over 29,600 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

3 Future and Outlook

Looking forward, the Chinese pharmaceutical industry is entering into a new era. While there are challenges in the short-term due to the changes, the underlying structural adjustments of the industry will bring plenty of opportunities for the Group. In the medium and long terms, with the aging population and the expanding disease spectrum in China, the demand of the pharmaceutical industry continues to be on the rise. The Group will reinforce its role in the value chain of the Chinese pharmaceutical sector, and focus on its two core development strategies, being "Product" and "Marketing". By leveraging on its competitive advantages, the Group will further enhance its product portfolio, progress its marketing and promotion strategy, and seize any opportunities that may arise to achieve sustainable development.

FINANCIAL REVIEW

Revenue

Revenue increased by 0.3% from RMB803.2 million for the six months ended 30 June 2015 to RMB806.0 million in the Reporting Period. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.3% from RMB286.1 million for the six months ended 30 June 2015 to RMB259.6 million in the Reporting Period, primarily due to the resumption of the import and sales of the Group's Polimod products since April 2016 (only three-month sales during the Reporting Period), which resulted in a decrease of RMB30.1 million in revenue compared to the same period (six months) last year. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% from RMB70.4 million for the six months ended 30 June 2015 to RMB63.6 million in the Reporting Period, primarily due to the decrease of the revenue generated from the sales of ophthalmology medical devices. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 8.1% from RMB446.7 million for the six months ended 30 June 2015 to RMB482.8 million in the Reporting Period, primarily due to the return to the normal growth track of Alcon's ophthalmic pharmaceutical products through its business strategy adjustment in China's market as well as the Group's intensifying efforts on co-promotion services for Alcon's products.

Cost of sales

Cost of sales increased by 0.8% from RMB550.5 million for the six months ended 30 June 2015 to RMB554.7 million in the Reporting Period, primarily due to an increase of sales, and an increase of procurement costs of some products as a result of the exchange rate appreciation. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 18.3% from RMB116.1 million for the six months ended 30 June 2015 to RMB94.9 million in the Reporting Period. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 31.1% from RMB43.5 million for the six months ended 30 June 2015 to RMB30.0 million in the Reporting Period. Cost of sales in products sold via the provision of co-promotion and channel management services increased by 10.0% from RMB390.8 million for the six months ended 30 June 2015 to RMB429.9 million in the Reporting Period.

Gross profit and gross profit margin

Gross profit decreased by 0.6% from RMB252.7 million for the six months ended 30 June 2015 to RMB251.3 million in the Reporting Period. The Group's average gross profit margin decreased from 31.5% for the six months ended 30 June 2015 to 31.2% in the Reporting Period. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased from 59.4% for the six months ended 30 June 2015 to 63.5% in the Reporting Period, primarily due to an increase in the sales price of some products in certain regions and Polimod in new authorised regions. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 38.2% for the six months ended 30 June 2015 to 52.8% in the Reporting Period, primarily due to a higher proportion of revenue being derived from medical devices products which generate higher margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services decreased from 12.5% for the six months ended 30 June 2015 to 11.0% in the Reporting Period, primarily due to a decrease in the bid price of certain Alcon's ophthalmic pharmaceutical products.

Other income

Other income decreased by 57.0% from RMB39.7 million for the six months ended 30 June 2015 to RMB17.1 million in the Reporting Period, primarily due to a decrease in the amount of government grants and the interest income.

Distribution and selling expenses

Distribution and selling expenses increased by 63.3% from RMB62.5 million for the six months ended 30 June 2015 to RMB102.2 million in the Reporting Period. Distribution and selling expenses as a percentage of revenue increased from 7.8% for the six months ended 30 June 2015 to 12.7% in the Reporting Period, primarily due to an increase of marketing and promotion expense as a result of an increase in sales price of some products in certain regions, as well as an increase of marketing and promotion activities of new products and Polimod for expanding market shares in new authorised regions.

Administrative expenses

Administrative expenses increased by 5.9% from RMB29.9 million for the six months ended 30 June 2015 to RMB31.7 million in the Reporting Period, primarily due to the increasing amortisation of the newly operating information system and the increasing expenses on employee training. Administrative expenses as percentage of revenue increased from 3.7% for the six months ended 30 June 2015 to 3.9% in the Reporting Period.

Finance costs

Finance costs decreased by 70.4% from RMB10.8 million for the six months ended 30 June 2015 to RMB3.2 million in the Reporting Period, primarily due to a decrease in bank loans which result in lower interest expense.

Income tax expense

Income tax expense decreased by 23.4% from RMB21.6 million for the six months ended 30 June 2015 to RMB16.5 million in the Reporting Period. The Group's effective income tax rate for the six months ended 30 June 2015 and the Reporting Period was 11.8% and 14.2%, respectively. Since the beginning of 2012, the Group has been conducting business primarily through Naqu Area Pioneer Pharma Co., Ltd, which was subject to a reduced EIT rate of 9%. Income tax expense in the Reporting Period included the recognition of RMB5.0 million of PRC withholding tax pursuant to the declared payment of an interim dividend of RMB95.0 million.

Profit for the period

As a result of the above factors, the Group's profit decreased by 37.8% from RMB160.8 million for the six months ended 30 June 2015 to RMB100.0 million in the Reporting Period. The Group's net profit margin decreased from 20.0% for the six months ended 30 June 2015 to 12.4% in the Reporting Period.

Liquidity and capital resources

The Group has historically met its working capital and other capital requirements principally from net cash flow from operations with bank borrowings as supplement. The Group's cash and cash equivalents decreased from RMB317.1 million as of 31 December 2015 to RMB295.7 million as of 30 June 2016, primarily due to the payment of dividends and repayment of certain bank loans.

Inventories

The Group's inventory balances decreased by 16.2% from RMB663.2 million as of 31 December 2015 to RMB555.6 million as of 30 June 2016, primarily due to the sales in the past stock preparation of the products whose registration certificates were due for renewal, as well as the higher efficiency of inventory turnover as a result of the Group's enhancement of inventory management.

Trade and other receivables

The Group's trade and other receivables increased from RMB420.4 million as of 31 December 2015 to RMB441.7 million as of 30 June 2016. At the same time, trade receivables turnover days decreased from 89.4 days as of 31 December 2015 to 77.3 days as of 30 June 2016, primarily due to the Group's intensifying efforts in collecting accounts receivable.

Trade and other payables

The Group's trade and other payables decreased from RMB471.7 million as of 31 December 2015 to RMB382.8 million as of 30 June 2016. The Group's trade payables turnover days decreased from 149.5 days as of 31 December 2015 to 128.4 days as of 30 June 2016, primarily due to payment for the accounts payable of the past stock preparation during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB252.8 million as of 30 June 2016 as compared to RMB285.9 million as of 31 December 2015. On 30 June 2016, the effective interest rate of the Group's bank borrowings ranged from 1.01% to 4.79%. As of 30 June 2016, bank borrowings of RMB252.8 million were secured by the pledge of the Group's trade receivables and bank deposits. As of 31 December 2015, bank borrowings of RMB285.9 million were secured under the pledge of the Group's bills receivables, trade receivables and bank deposits. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 14.4% as of 30 June 2016 compared to 15.7% as of 31 December 2015.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2016, the Group had a total of 359 employees. For the Reporting Period, staff costs of the Group were RMB23.1 million as compared to RMB22.2 million for the six months ended 30 June 2015. The Group's employee remuneration policy is determined by taking into account 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's 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 programmes 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 labour dispute during the Reporting Period.

Other Information

CORPORATE GOVERNANCE PRACTICE

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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2016. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

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 the required standard set out in the Model Code and the code of conduct throughout the six months ended 30 June 2016.

USE OF NET PROCEEDS FROM LISTING

The Company raised a total net proceeds (after deducting the relevant offering expenses) of approximately HK$1,307.8 million (the "**IPO Proceeds**") from the global offering and listing on the Main Board of the Stock Exchange of its shares in 2013. In order to enhance the effectiveness of the use of the IPO Proceeds, on 9 May 2016, the Directors resolved that the unused IPO Proceeds in the amount of HK$213.9 million be utilised in the following manners:

- as to HK$147.3 million to fund purchases of imported pharmaceutical products and medical devices from overseas suppliers;
- as to HK$5.9 million to enlarge the Group's product portfolio; and
- as to HK$60.7 million for the Group's working capital and other general corporate purpose.

As of 30 June 2016, the unused IPO Proceeds of approximately HK$153.0 million were deposited in licensed banks in Hong Kong. For details of the adjustments to use of IPO Proceeds, please refer to the announcement of the Company dated 9 May 2016.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Xu Zhonghai; and one non-executive Director, namely Mr. Wu Mijia.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting, risk management and internal control systems, 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 unaudited interim results of the Group for the six months ended 30 June 2016 has been reviewed by the Audit Committee.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme to recognise the contribution by certain employees including Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme has a term of 10 years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015.

On 9 October 2015, the Board had resolved to grant a total of 25,060,000 awarded shares to 150 selected employees with the award price of HK$5.076 for each awarded share. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme for the six months ended 30 June 2016.

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

For the six month ended 30 June 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities other than the purchases of certain Shares by the trustee pursuant to the Share Award Scheme.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information are set out below:

Mr. Wang Yinping, an executive Director, was appointed as the director of Western Potash Corp. a company listed on the Toronto Stock Exchange (stock quote: WPX) on 16 September 2015.

Mr. Wong Chi Hung, Stanley, an independent non-executive Director, has been appointed as an executive director of Talents Alliance Ltd. on 1 July 2016.

Save as disclosed above, up to the date of this report, there were no changes to the information which are required to be disclosed and had been disclosed by the 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 of 30 June 2016, 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 Directors	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Li Xinzhou	Founder of a discretionary trust(1)	921,824,000 (L)	69.14%
	Beneficial owner	9,652,000 (L)	0.72%
	Interest of spouse(2)	1,403,000 (L)	0.11%
Wang Yinping	Beneficial owner	1,300,000 (L)(3)	0.10%
Zhu Mengjun	Beneficial owner	2,969,000 (L)(4)	0.22%

Remark:

The letter "L" denotes the long position in Shares.

Notes:

1. Mr. Li Xinzhou is a founder of the discretionary trust and was deemed to be interested in 921,824,000 Shares held under the discretionary trust.

2. Such 1,403,000 Shares were held by Ms. Wu Qian, the spouse of Mr. Li Xinzhou. Accordingly, Mr. Li Xinzhou was deemed to be interested in such 1,403,000 Shares.

3. Mr. Wang Yiping was interested in 1,300,000 Shares, all of which were awarded and granted to Mr. Wang Yiping under the Share Award Scheme on 9 October 2015.

4. Mr. Zhu Mengjun was interested in 2,969,000 Shares, of which 1,100,000 Shares were awarded and granted to Mr. Zhu Mengjun under the Share Award Scheme on 9 October 2015.

Save as disclosed above, as of 30 June 2016, 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) (i) which were required to be notified to be Company and the Stock Exchange, or (ii) which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2016 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors 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 of 30 June 2016, 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 of Substantial Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wu Qian	Founder of a discretionary trust(1)	921,824,000 (L)	69.14%
	Interest of spouse(2)	9,652,000 (L)	0.72%
	Beneficial owner	1,403,000 (L)	0.11%
Tian Tian Limited(5)	Interest of controlled corporation(3)	921,824,000 (L)	69.14%
UBS Trustees (BVI) Limited	Trustee(4)	921,824,000 (L)	69.14%
Pioneer Pharma (BVI) Co., Ltd.(5)	Beneficial owner	921,824,000 (L)	69.14%

Remark:

The letter "L" denotes the long position in Shares.

Notes:

1. Ms. Wu Qian is a founder of the discretionary trust and was deemed to be interested in 921,824,000 Shares held under the discretionary trust.

2. Such 9,652,000 Shares were held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Accordingly, Ms. Wu Qian was deemed to be interested in such 9,652,000 Shares.

3. Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., was deemed to be interested in 921,824,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.

4. UBS Trustees (BVI) Limited, as trustee of the discretionary trust, through its controlled corporations (being Tian Tian Limited and Pioneer Pharma (BVI) Co., Ltd.) was deemed to be interested in 921,824,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.

5. Mr. Li Xinzhou is a director of each of Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited.

Save as disclosed above, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who as of 30 June 2016, 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.

SIGNIFICANT INVESTMENT DURING THE REPORTING PERIOD

Further Investment in NovaBay

NovaBay Pharmaceuticals, Inc. ("**NovaBay**") is a biopharmaceutical company developing products for the eye care market incorporated in Delaware, United States, and currently focuses primarily on commercializing prescription Avenova® for managing hygiene of the eyelids and lashes in the United States. Its shares are traded on the New York Stock Exchange. The Group commenced its business relationship with NovaBay in 2012 and obtained the exclusive rights to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year.

The Group has completed several rounds of investments towards NovaBay since 2013. As of 31 December 2015, the Group held a total of 408,153 ordinary shares of NovaBay, representing approximately 11.7% equity interest in NovaBay. In February and May 2016, NovaBay issued shares to various other investors including the Group. In February 2016, the Group entered into a securities purchase agreement with NovaBay, pursuant to which the Group purchased 696,590 ordinary shares of NovaBay for a total consideration of US$1,330,000. In May 2016, the Group further entered into a securities purchase agreement with NovaBay, pursuant to which the Group purchased 1,308,901 ordinary shares of NovaBay, 654,451 units of NovaBay warrants with an exercise price of US$1.91 and an expiry date of 4 May 2020 for a total consideration of US$2,500,000.

As of 30 June 2016, the Group held a total of 2,413,644 ordinary shares of NovaBay, representing approximately 26.4% equity interest in NovaBay. Besides, the Group also held 181,300 units of NovaBay warrants with an exercise price of US$1.81 and an expiry date of 5 March 2020, as well as 654,451 units of NovaBay warrants with an exercise price of US$1.91 and an expiry date of 4 May 2020.

NovaBay now is dedicating to commercializing prescription Avenova® for managing hygiene of the eyelids and lashes in the United States, and has achieved a significant improvement in sales performance. The Group remains confident in NovaBay's future development. The further investment allows the Group to enhance its business relationship with NovaBay and also helps to dilute the cost for the Group's investment to NovaBay.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB7.1 cents per share for the six months ended 30 June 2016 payable on Friday, 14 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company as of the close of business on Friday, 23 September 2016. The interim dividend will be paid in Hong Kong dollars, and such amount is to be calculated by reference to the middle rate last published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as of 5 October 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 23 September 2016, in order to determine the entitlement of shareholders to the interim dividend. 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 Thursday, 22 September 2016.

Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Pioneer Pharma Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 20 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting' ('**IAS 34**') issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Revenue	3	**806,029**	803,243
Cost of sales		**(554,719)**	(550,518)
Gross profit		**251,310**	252,725
Other income	4	**17,061**	39,702
Other gains and losses	5	**5,983**	3,059
Distribution and selling expenses		**(102,151)**	(62,537)
Administrative expenses		**(31,696)**	(29,943)
Finance costs		**(3,201)**	(10,821)
Share of loss of associates		**(20,743)**	(9,738)
Profit before taxation	6	**116,563**	182,447
Income tax expense	7	**(16,548)**	(21,611)
Profit for the period		**100,015**	160,836
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**(5,064)**	(10,728)
– Share of exchange differences of associates		**2,945**	(1,821)
– Fair value gain on other investments		**–**	15,711
Other comprehensive (expense) income for the period		**(2,119)**	3,162
Total comprehensive income for the period		**97,896**	163,998
Profit (loss) for the period attributable to:			
Owners of the Company		**98,807**	161,964
Non-controlling interests		**1,208**	(1,128)
		100,015	160,836
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**96,822**	166,835
Non-controlling interests		**1,074**	(2,837)
		97,896	163,998
		RMB yuan	RMB yuan
Earnings per share			
Basic and diluted	9	**0.08**	0.12

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	10	76,097	76,497
Prepaid lease payments		2,193	2,219
Intangible assets		61,645	61,207
Interests in associates	11	58,458	47,070
Other investments	12	20,000	20,000
Finance lease receivables		52,722	59,446
Loans and promissory note to associates	15	1,364	15,963
Deferred tax assets	13	2,658	2,132
		275,137	284,534
Current Assets			
Inventories		555,630	663,249
Finance lease receivables		28,022	21,720
Trade and other receivables	14	441,681	420,366
Amount due from related parties	17	574	1,296
Tax recoverable		486	475
Prepaid lease payments		52	52
Derivative financial instrument	20	6,419	251
Pledged bank deposits		150,675	112,968
Bank balances and cash		295,740	317,113
		1,479,279	1,537,490

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	16	382,772	471,690
Tax liabilities		19,305	14,778
Bank borrowings	18	252,836	285,935
Provision	19	1,803	1,870
Obligations under finance lease		2,669	1,943
		659,385	776,216
Net Current Assets		819,894	761,274
Total Assets less Current Liabilities		1,095,031	1,045,808
Capital and Reserves			
Share capital	21	82,096	82,096
Reserves		961,602	915,994
Equity attributable to owners of the Company		1,043,698	998,090
Non-controlling interests		(575)	(1,649)
Total Equity		1,043,123	996,441
Non-current liabilities			
Deferred tax liabilities	13	15,847	13,406
Long-term liabilities		22,207	20,074
Liabilities for share award scheme		266	557
Obligation under finance leases		13,588	15,330
		1,095,031	1,045,808

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to the owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Treasury share reserve RMB'000	Accumulated profits RMB'000	Investments revaluation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015 (Audited)	82,096	956,993	(50,646)	(8,212)	12,389	–	168,961	(34,221)	1,127,360	98,615	1,225,975
Profit (loss) for the period	–	–	–	–	–	–	161,964	–	161,964	(1,128)	160,836
Other comprehensive (expense) income	–	–	–	(10,840)	–	–	–	15,711	4,871	(1,709)	3,162
Total comprehensive (expense) income for the period	–	–	–	(10,840)	–	–	161,964	15,711	166,835	(2,837)	163,998
Purchase of shares under share award scheme	–	–	–	–	–	(124,889)	–	–	(124,889)	–	(124,889)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(62,949)	(62,949)
Dividends declared and recognised as distribution *(Note 8)*	–	–	–	–	–	–	(112,507)	–	(112,507)	–	(112,507)
At 30 June 2015 (Unaudited)	82,096	956,993	(50,646)	(19,052)	12,389	(124,889)	218,418	(18,510)	1,056,799	32,829	1,089,628
At 1 January 2016 (Audited)	82,096	956,993	(50,646)	(25,272)	12,389	(149,476)	190,516	(18,510)	998,090	(1,649)	996,441
Profit for the period	–	–	–	–	–	–	98,807	–	98,807	1,208	100,015
Other comprehensive (expense) income	–	–	–	(1,985)	–	–	–	–	(1,985)	(134)	(2,119)
Total comprehensive (expense) income for the period	–	–	–	(1,985)	–	–	98,807	–	96,822	1,074	97,896
Purchase of shares under share award scheme	–	–	–	–	–	(3,714)	–	–	(3,714)	–	(3,714)
Dividends declared and recognised as distribution *(Note 8)*	–	–	–	–	–	–	(47,500)	–	(47,500)	–	(47,500)
At 30 June 2016 (Unaudited)	82,096	956,993	(50,646)	(27,257)	12,389	(153,190)	241,823	(18,510)	1,043,698	(575)	1,043,123

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**113,163**	126,194
NET CASH USED IN INVESTING ACTIVITIES		
Interest received	**1,698**	16,860
Loan advance to an associate	**(7,114)**	–
Repayment from associates	**22,208**	–
Purchases of other investments and warrants	**–**	(9,561)
Withdrawal of trust investments	**–**	15,000
Purchases of property, plant and equipment	**(1,656)**	(5,123)
Capital injection in associates	**(24,909)**	(10,044)
Placement of pledged bank deposits	**(73,660)**	(142,286)
Withdrawal of pledged bank deposits	**35,953**	4,190
Payment for intangible assets	**(1,998)**	(898)
Proceeds on disposal of other investments	**–**	181
Net cash outflow on disposal of a subsidiary	**–**	(26,023)
	(49,478)	(157,704)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		
New bank borrowings raised	**166,243**	476,813
Repayments of bank borrowings	**(201,111)**	(217,892)
Dividends paid	**(47,500)**	(112,507)
Payment for repurchase of ordinary shares	**(3,714)**	(124,889)
	(86,082)	21,525
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(22,397)**	(9,985)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**317,113**	260,834
Effect of foreign exchange rate changes	**1,024**	711
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**295,740**	251,560

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

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 principal activities of the Group are the marketing, promotion and sale of pharmaceutical products and medical devices.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (**IAS 34**) *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Application of amendments to IFRS

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRS") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 1 *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations; and*
- Amendments to IFRSs *Annual Improvements to IFRSs 2012–2014 Cycle*.

The application of the new and amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the Group applied the following new accounting policy in the current interim period.

Available-for-sales equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SEGMENT INFORMATION

Revenue represents revenue arising from sales of pharmaceutical products and medical devices in the People's Republic of China ("**PRC**"), South East Asia, Europe and Africa. An analysis of the Group's revenue is as follows:

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Sales of pharmaceutical products	**742,418**	732,858
Sales of medical devices	**63,611**	70,385
	806,029	803,243

The Group's chief operating decision maker was the executive directors, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance. 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.

3. 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 six months ended 30 June 2016 (Unaudited)

	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	323,242	482,787	806,029
Cost of sales	(124,853)	(429,866)	(554,719)
Gross profit & segment result	198,389	52,921	251,310
Other income			17,061
Other gains and losses			5,983
Distribution and selling expenses			(102,151)
Administrative expenses			(31,696)
Finance costs			(3,201)
Share of loss of associates			(20,743)
Profit before taxation			116,563

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2015 (Unaudited)

	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	356,501	446,742	803,243
Cost of sales	(159,679)	(390,839)	(550,518)
Gross profit & segment result	196,822	55,903	252,725
Other income			39,702
Other gains and losses			3,059
Distribution and selling expenses			(62,537)
Administrative expenses			(29,943)
Finance costs			(10,821)
Share of loss of associates			(9,738)
Profit before taxation			182,447

4. OTHER INCOME

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Government grants *(Note)*	**6,227**	11,942
Interest on bank deposits	**4,131**	14,842
Interest on trust investments	**–**	3,049
Interest income on finance leases	**4,017**	7,169
Interest income on loans to associates *(Note 15)*	**563**	204
Service income	**1,746**	2,328
Others	**377**	168
	17,061	39,702

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net foreign exchange gains (losses)	**4,504**	(4,062)
Impairment loss on trade and other receivables	**(8,781)**	(3,425)
Reversal of (impairment loss) on finance lease receivables	**1,259**	(5,506)
Gain on initial recognition of warrants and other investments *(Note)*	**4,476**	3,910
Gain on fair value changes of derivative financial instruments	**1,538**	1,523
Gain on dilution on interests in associates *(Note 11)*	**6,032**	10,619
Written off of interest receivable from an associate *(Note 15)*	**(1,290)**	–
Impairment loss on investment in an associate *(Note 11)*	**(6,378)**	–
Reversal of impairment loss on investment in an associate *(Note 11)*	**4,623**	–
	5,983	3,059

Note: During the six months ended 30 June 2016, amount represents the difference between the fair value at acquisition date of warrants over the acquisition cost (six months ended 30 June 2015: difference between the fair value at acquisition date of other investments and warrants over the total acquisition cost).

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**1,761**	1,901
Other staff's retirement benefits scheme contributions	**4,493**	3,420
Other staff costs	**16,838**	16,909
Total staff costs	**23,092**	22,230
Auditors' remuneration	**2,183**	1,512
Allowance for inventories, net	**713**	–
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**3,476**	4,088
Amortisation of intangible assets (included in administrative expenses)	**3,292**	2,905
Cost of inventories recognised as an expense	**554,719**	550,518
Minimum lease payment under operating lease in respect of premises	**153**	254

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	**15,068**	24,006
Underprovision in prior period		
PRC Enterprise Income Tax	**–**	138
	15,068	24,144
Deferred tax *(Note 13)*		
Current period	**1,480**	(2,533)
	16,548	21,611

8. DIVIDENDS

During the six months ended 30 June 2016, a final dividend of RMB3.6 cents (six months ended 30 June 2015: RMB8.5 cents) per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: 31 December 2014) was declared and paid to the shareholder of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB47,500,000 (six months ended 30 June 2015: RMB112,507,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB7.1 cents per share, amounting to approximately RMB95,000,000 in aggregate (six months ended 30 June 2015: RMB75,274,000) will be paid to the shareholders of the Company whose names appear in the register of members as of the close of business on 23 September 2016.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**98,807**	161,964
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,296,965,710**	1,327,125,917

For the six months ended 30 June 2016 and 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both periods has been taken into account the ordinary shares purchased by the trustee on the market pursuant to the share award scheme.

For the six months ended 30 June 2016 and 2015, the diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding in both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB1,656,000 (2015: RMB3,562,000) for acquisition of buildings, furniture and equipment and motor vehicles in order to upgrade its capabilities.

For the six months ended 30 June 2015, the Group paid RMB1,561,000 for construction costs for a new office. No such payment is made in the six months ended 30 June 2016.

11. INTERESTS IN ASSOCIATES

Name of associates	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 30 June 2016	31 December 2015
Q3 Medical Devices Limited ("**Q3**") *(Note a)*	Incorporated	Ordinary shares	Manufacturing and trading of medical devices	Ireland/German	**33.06%**	36.57%
YingSheng 3D Medical Imaging Centre ("**YingSheng**")	Incorporated	Ordinary shares	Stomatological computed tomography services	PRC	**35%**	35%
NovaBay Pharmaceuticals Inc. ("**NovaBay**") *(Note b)*	Incorporated	Common shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	**26.36%**	11.71%

Notes:

(a) During the six months ended 30 June 2016, Q3 issued an aggregate of 42,970 ordinary shares to an investor. A gain on dilution of approximately RMB6,032,000 was recognised in profit or loss.

As of 30 June 2016, the Group held a total of 148,165 ordinary shares representing approximately 33.06% (31 December 2015: 36.57%) of the issued capital of Q3.

(b) During the six months ended 30 June 2016, NovaBay issued shares to various investors and the Group has subscribed 2,005,491 common shares together with 654,451 unit of warrants of NovaBay at a total consideration of US$3,830,000 (equivalent to RMB24,909,000). As a result, the Group's interest in NovaBay was increased from 11.71% to 26.36%.

As of 30 June 2016, the Group held 26.36% of the issued capital of NovaBay.

Indicated by negative financial performance of Q3 and fluctuating quoted market price of NovaBay in the six months ended 30 June 2016, the Group takes into consideration to perform impairment assessment for their carrying amounts in accordance with IAS 36 Impairment of Assets as single assets.

The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. As NovaBay is listed securities in New York Stock Exchange in the United States, its fair value less costs of disposal can be determined based on the quoted market price of the shares as management of the Group considers that the cost of disposal are insignificant.

11. INTERESTS IN ASSOCIATES (Continued)

In assessing the value in use of Q3 and NovaBay as at 31 December 2015 and 30 June 2016, it has been determined based on the Company's share of the present value of the estimated future cash flows expected to be generated by Q3 and NovaBay. The value in use calculations use cash flow projections for the Q3 and NovaBay based on financial budgets approved by management covering a 5-year period.

They are based on a discount rate of 15.39% and 15.40%, respectively. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the investment in Q3 and NovaBay as at 30 June 2016 have been determined based on the value in use calculations and quoted market price, respectively. For NovaBay, the recoverable amount of the investment is greater than the corresponding carrying amount. Hence, the Company recognised a reversal of impairment loss of approximately RMB4,623,000 (31 December 2015: an impairment loss of approximately RMB41,263,000) for the six months ended 30 June 2016 in relation to the interests in associates.

The recoverable amount of the investment in Q3 is lower than the corresponding carrying amount, an impairment loss of approximately RMB6,378,000 was recognised for the six months ended 30 June 2016 (31 December 2015: nil).

12. OTHER INVESTMENTS

The balance as of 30 June 2016 and 31 December 2015 represent the investment in Shanghai Yuhan fund (上海譽瀚股權投資基金合夥企業(有限合夥), "the Fund"), which is incorporated in the PRC. The Fund specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2016 and 31 December 2015, the Fund received contributions from shareholders of RMB250 million, among which the Company injected RMB20 million and accounted for 8% of the equity interest of the Fund. The Fund represents an investment in an unlisted private entity. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the management of the Company are of the opinion that its fair value cannot be measured reliably.

13. DEFERRED TAXATION

The following are the major deferred tax (liabilities) assets recognised and movements thereon during the current and preceding interim periods:

	Allowances RMB'000	Unrealised profit on inventories RMB'000	Provision for sale return RMB'000	Accrued expenses RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value adjustments RMB'000	Total RMB'000
THE GROUP							
At 1 January (Audited)	1,430	457	424	1,186	(6,000)	(38,485)	(40,988)
Credit (charge) to profit or loss for the period	489	(158)	(302)	41	2,000	463	2,533
Disposal of a subsidiary	(1,211)	–	–	–	–	25,981	24,770
Effect of foreign currency exchange differences	–	–	–	–	–	1,125	1,125
At 30 June 2015 (Unaudited)	708	299	122	1,227	(4,000)	(10,916)	(12,560)
Credit (charge) to profit or loss for the period	355	(86)	46	(539)	1,500	469	1,745
Effect of foreign currency exchange differences	–	–	–	–	–	(459)	(459)
At 31 December 2015 (Audited)	1,063	213	168	688	(2,500)	(10,906)	(11,274)
Credit (charge) to profit or loss for the period	703	(7)	(5)	(165)	(2,500)	494	(1,480)
Effect of foreign currency exchange differences	–	–	–	–	–	(435)	(435)
At 30 June 2016 (Unaudited)	**1,766**	**206**	**163**	**523**	**(5,000)**	**(10,847)**	**(13,189)**

13. DEFERRED TAXATION (Continued)

For the purposes of presentation in the condensed statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Deferred tax assets	2,658	2,132
Deferred tax liabilities	(15,847)	(13,406)
	(13,189)	(11,274)

As at the end of the current interim period, the Group has unused tax losses of approximately RMB201,789,000 (31 December 2015: RMB199,004,000) 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:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
2017	2,420	2,420
2018	5,156	5,156
2019	25,280	25,280
2020	11,424	11,424
2021	2,200	–
No expiry	155,309	154,724
	201,789	199,004

As at the end of the current interim period, the aggregate amount of temporary differences associated with undistributable earnings of the PRC subsidiaries amounted to RMB319,073,000 (31 December 2015: RMB248,212,000). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB219,073,000 (31 December 2015: RMB198,212,000) 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 RMB5,000,000 (31 December 2015: RMB2,500,000) was recognised as at 30 June 2016.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
THE GROUP		
Trade receivables	366,188	314,644
Less: Allowance for doubtful debts	(15,421)	(6,640)
	350,767	308,004
Bill receivables	52,948	83,895
	403,715	391,899
Other receivables, prepayments and deposits	21,472	20,716
Less: Allowance for doubtful debts	(129)	(129)
	425,058	412,486
Interest receivables	5,682	3,249
Advance payment to suppliers	4,406	3,276
Other tax recoverable	6,535	1,355
Total trade and other receivables	441,681	420,366
Classified as:		
– Current		
Trade receivables	350,767	308,004
Bill receivables	52,948	83,895
Other receivables, prepayments and deposits	37,966	28,467
	441,681	420,366

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, 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 to 36 months as stated in contracts are included in trade receivables.

14. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at respective reporting dates, which approximated the respective revenue recognition dates:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
THE GROUP		
0 to 60 days	243,823	197,365
61 days to 180 days	63,652	77,349
181 days to 1 year	27,806	21,514
1 year to 2 years	15,486	11,776
	350,767	308,004

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
THE GROUP		
0 to 60 days	13,544	47,399
61 days to 180 days	26,859	34,172
181 days to 1 year	10,601	7,284
1 year to 2 years	1,944	100
	52,948	83,895

15. LOANS AND PROMISSORY NOTE TO ASSOCIATES

On 2 December 2015, Pioneer Pharma (Singapore) Pte. Ltd. ("**Pioneer Singapore**"), a wholly-owned subsidiary of the Company, entered into a loan agreement with Q3, for the granting of an unsecured loan of EUR1,000,000 (equivalent to RMB7,099,000) by Pioneer Singapore to Q3 and to be repaid on or before 1 December 2017 ("**Loan A**"). On 22 December 2015, Pioneer Singapore also granted promissory note in the principal amount of US$1,365,000 (equivalent to RMB8,864,000) to NovaBay and to be repaid on or before 22 December 2018. On 25 January 2016, Pioneer Singapore entered into another loan agreement with Q3, for the granting of an unsecured loan of EUR1,000,000 (equivalent to RMB7,114,000) by Pioneer Singapore to Q3 and to be repaid on or before 1 December 2017 ("**Loan B**"). Loan A, promissory note and Loan B were fully drawn down on 3 December 2015, 23 December 2015 and 26 January 2016 at interest rates of 10% per annum, 6% per annum and 10% per annum, respectively, on the principal outstanding.

During the six months ended 30 June 2016, Q3 has fully settled the principal of Loan A and Loan B. Loan A and Loan B, after written off of interest receivable by the Group as detailed below, still has a remaining outstanding interest receivable of approximately RMB365,000 as at 30 June 2016. Subsequent to 30 June 2016, Pioneer Singapore agreed to convert the accrued interest receivable of approximately RMB365,000 from Loan A and Loan B into 673 ordinary shares of Q3. The management of the Group expected the conversion will be completed in September 2016. After conversion of the interest receivable, the Group held a total of 148,838 ordinary shares of Q3, representing approximately 33.16% equity interest in Q3, and it remains as an associate of the Group.

During the six months ended 30 June 2016, NovaBay has settled principal of the promissory note of US$1,159,000 (equivalent to RMB7,529,000) to Pioneer Singapore, which still has an outstanding interest receivable of approximately RMB209,000 as at 30 June 2016.

As of 30 June 2016, the Group has accrued interest receivable of approximately RMB574,000 (31 December 2015: approximately RMB1,296,000) regarding the Loan A, Loan B and promissory note. The accrued interest receivable of approximately RMB1,290,000 from Q3 brought forward from the year ended 31 December 2015 had been written off to profit or loss during the six months ended 30 June 2016 as it is considered irrecoverable.

16. TRADE AND OTHER PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
THE GROUP		
Trade payables	**352,501**	426,078
Payroll and welfare payables	**4,351**	6,424
Advance from customers	**5,700**	4,045
Other tax payables	**1,138**	1,457
Marketing service fee payables	**5,858**	4,404
Interest payables	**711**	1,726
Deposits received from distributor	**5,642**	7,094
Accrued purchase	**22,207**	20,074
Other payables and accrued charges	**6,871**	20,462
	404,979	491,762
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**(22,207)**	(20,074)
	382,772	471,690

Note: The amount represents the accounts for the cost of medical devices which are sold under the finance lease 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:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
THE GROUP		
0 to 90 days	**221,284**	425,561
91 to 180 days	**130,820**	–
181 to 365 days	**247**	416
Over 365 days	**150**	101
	352,501	426,078

17. 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 Xinzhou ("Mr. Li")
(2)	洋浦新洲投資有限公司 Yangpu Xinzhou Investment Company Limited	Company controlled and beneficially owned by Mr. Li
(3)	洋浦安邦投資有限公司 Yangpu Anbang Investment Company Limited	Company controlled and beneficially owned by Mr. Li
(4)	先鋒醫藥股份有限公司 Pioneer Pharma Shareholding Co., Ltd.	Company controlled and beneficially owned by Mr. Li
(5)	深圳影勝醫療技術有限公司 YingSheng	Associate of the Group
(6)	Q3	Associate of the Group
(7)	NovaBay	Associate of the Group from 10 April 2015

(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

17. RELATED PARTIES DISCLOSURES (Continued)

THE GROUP (Continued)

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Purchase of finished goods from Hainan San Feng You	**–**	822
Purchase of finished goods from NovaBay	**–**	13
Interest income on loan from Q3	**362**	204
Interest income on promissory note from NovaBay	**201**	–

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

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Name of the related parties		
Amount due from associates – current		
Q3 *(Note a)*	**365**	1,290
NovaBay *(Note a)*	**209**	6
	574	1,296
Loans and promissory note to associates – non current		
Q3	**–**	7,099
NovaBay	**1,364**	8,864
	1,364	15,963

Note:

(a) Amounts are non-trade nature, unsecured and repayable on demand.

17. RELATED PARTIES DISCLOSURES (Continued)

THE GROUP (Continued)

(e) Compensation of key management personnel

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

	For the six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Short-term employee benefits	**3,073**	3,436
Post employee benefits	**261**	154
	3,334	3,590

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

18. BANK BORROWINGS

During the current interim period, the Group obtained various new bank loans to finance its business operation of approximately RMB166,243,000 (31 December 2015: RMB768,910,000). The amounts are secured and due within one year.

As at 30 June 2016, 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:

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Pledge of assets		
Bills receivables	**–**	7,629
Trade receivables	**351,713**	304,629
Pledged bank deposits for bank borrowings	**131,985**	100,708
Pledged bank deposits for letter of credit	**18,690**	12,260
	502,388	425,226

As 30 June 2016, the effective interest rates on the Group's fixed-rate borrowings are ranging from 1.01% to 4.79% (31 December 2015: 1.01% to 4.97%).

19. PROVISION

	Provision for sales return RMB'000
THE GROUP	
COST	
At 1 January 2015	4,715
Additions	210
Reversal	(2,585)
Utilisations	(978)
At 30 June 2015	1,362
Additions	2,873
Utilisations	(2,365)
At 31 December 2015 and 1 January 2016	**1,870**
Additions	**249**
Utilisations	**(316)**
At 30 June 2016 (Unaudited)	**1,803**

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

20. DERIVATIVE FINANCIAL INSTRUMENT

Warrants

The Group entered into a securities purchase agreement with NovaBay on 6 March 2015, pursuant to which the Group purchased 2,590,000 common shares, 2,590,000 unit of warrants with expiry date on 5 June 2016 and 1,942,500 unit of warrants with expiry date on 5 September 2020 for a total consideration of US$1,554,000 (equivalent to RMB9,561,000).

The first warrant ("**Warrant A**") which is exercisable beginning on the date six months after the date of issuance on 6 March 2015, entitles the holder to purchase one share of common stock of NovaBay at a price of US$0.60 per share, and includes a provision for forced conversion if the common stock trades at or above US$1 for 10 out of 20 consecutive trading days. This warrant will expire, unless exercised, 15 months following the date of issuance.

The second warrant ("**Warrant B**") entitles the holder to purchase seventy-five percent (75%) of one share of common stock of NovaBay at a price of US$0.65 per share, and is exercisable beginning on the date six months after the date of issuance on 6 March 2015. This warrant will expire, unless exercised, on 5 September 2020.

In December 2015, NovaBay changed the exercise price of Warrant A and Warrant B to US$0.2 per share, with a change of expired date of Warrant A and Warrant B to 60 months following the date of issuance, unless exercised. Other conditions of Warrant A and Warrant B remain unchanged.

20. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

Warrants (Continued)

Pursuant to the reverse stock split effective in December 2015, each twenty-five (25) shares of outstanding common stock was combined into one (1) new share, with no change in authorized shares or par value per share. Proportional adjustments was made to the exercise prices of NovaBay's outstanding warrants. The reverse stock split did not affect any stockholder's ownership percentage of the NovaBay's common stock, except to the limited extent that the reverse stock split would result in any stockholder owning a fractional share. As a result, Warrant A and Warrant B entitled the holder to purchase one share of common stock at a price of US$5.00 per share.

In February 2016, NovaBay changed the exercise price of Warrant A and Warrant B to US$1.81 per share. Other conditions of Warrant A and Warrant B remain unchanged.

The Group entered into a securities purchase agreement with NovaBay on 5 May 2016, pursuant to which the Group purchased 1,308,901 common shares and 654,451 unit of warrants ("**Warrant C**") with expiry date on 4 May 2020 and for a total consideration of US$2,500,000 (equivalent to RMB16,236,000).

Warrant C entitles the holder to purchase fifty percent (50%) of one share of common stock of NovaBay at a price of US$1.91 per share, and includes a provision for forced conversion if the common stock trades at or above US$4 for 5 consecutive trading days. Warrant C is exercisable beginning on the date of issuance on 5 May 2016. This warrant will expire, unless exercised, on 4 May 2020. Warrant C is accounted for financial assets at fair value through profit or loss.

The Binomial Lattice valuation model has been used to estimate the total fair value of the warrants on date of issuance and at the end of each reporting period and the fair value of the warrants are estimated by a firm of independent qualified valuer not connected to the Group.

	As at 31 December 2015		**As at 5 May 2016**
	Warrant A	Warrant B	**Warrant C**
Exercise price	US$5.00	US$5.00	**US$1.91**
Stock price	US$2.02	US$2.02	**US$2.40**
Expected volatility	66.10%	55.59%	**57.09%**
Expected life	5.0 years	5.0 years	**4.0 years**
Risk free rate	0.38%	1.76%	**1.13%**
Expected dividend yield	0%	0%	**0%**
Financial assets at fair value in US$	922	37,770	**689,223**
Financial assets at fair value in RMB	5,673	245,462	**4,476,021**

20. DERIVATIVE FINANCIAL INSTRUMENT (Continued)

Warrants (Continued)

	As at 30 June 2016		
	Warrant A (Restated)	Warrant B (Restated)	Warrant C
Exercise price	US$1.81	US$1.81	US$1.91
Stock price	US$2.50	US$2.50	US$2.50
Expected volatility	57.74%	57.74%	57.14%
Expected life	5.0 years	5.0 years	4.0 years
Risk free rate	0.86%	0.86%	0.88%
Expected dividend yield	0%	0%	0%
Financial assets at fair value in US$	135,484	101,595	726,164
Financial assets at fair value in RMB	902,877	677,039	4,839,228

21. SHARE CAPITAL

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised			
At 1 January 2015, 31 December 2015 and 30 June 2016	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2015, 31 December 2015 and 30 June 2016	1,333,334,000	13,333,340	82,096

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are 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); and

- 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 2016	31 December 2015				
Warrants *(Note a)*	**Assets – RMB6,419,000**	Assets – RMB251,000	Level 3	Binomial Lattice valuation 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.

Note:

(a) As at 30 June 2016, the warrants represented Warrant A, Warrant B and Warrant C issued by NovaBay (31 December 2015: Warrant A and Warrant B issued by NovaBay).

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

As at 30 June 2016, the directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the condensed 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	Trust investment RMB'000	Contingent consideration RMB'000	Total RMB'000
At 1 January 2015	–	75,000	83,087	158,087
Addition	1,115	–	–	1,115
Total gains in profit or loss (Included in "Other gains and losses") *(Note)*	5,433	–	–	5,433
Settlement	–	(15,000)	–	(15,000)
Disposal	–	–	(83,087)	(83,087)
Exchange adjustments	(37)	–	–	(37)
At 30 June 2015	6,511	60,000	–	66,511

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurements and valuation processes (Continued)

	Warrants RMB'000	Trust investment RMB'000	Contingent consideration RMB'000	Total RMB'000
At 1 January 2016	251	–	–	251
Total gains in profit or loss				
(Included in "Other gains and losses") *(Note)*	6,014	–	–	6,014
Exchange adjustments	154	–	–	154
At 30 June 2016	6,419	–	–	6,419

Note: The gains in profit or loss represented the initial recognition gains of RMB4,476,000 (six months ended 30 June 2015: RMB3,910,000) and fair value change of RMB1,538,000 (six months ended 30 June 2015: RMB1,523,000) related to the warrants held at the acquisition date or the end of each reporting period.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to 30 June 2016, the Group has the following subsequent events:

On 20 July 2016, the management of the Group contracted to dispose all the ordinary shares held in YingSheng to an independent purchaser at a total cash consideration of RMB10,000. After the disposal of ordinary shares, YingSheng is no longer an associate of the Group. Meanwhile, the Group entered a separate contract with YingSheng to purchase certain of its fixed assets at a total cash consideration of RMB10,000.

On 1 August 2016, Pioneer Singapore entered into a security purchase agreement with NovaBay to purchase 1,308,901 common shares in NovaBay for a consideration of US$2,500,000 (equivalent to RMB16,608,000). After subscription of the security, the Group held a total of 3,722,545 ordinary shares of NovaBay, representing approximately 33.09% equity interest in NovaBay, and it remains as an associate of the Group.