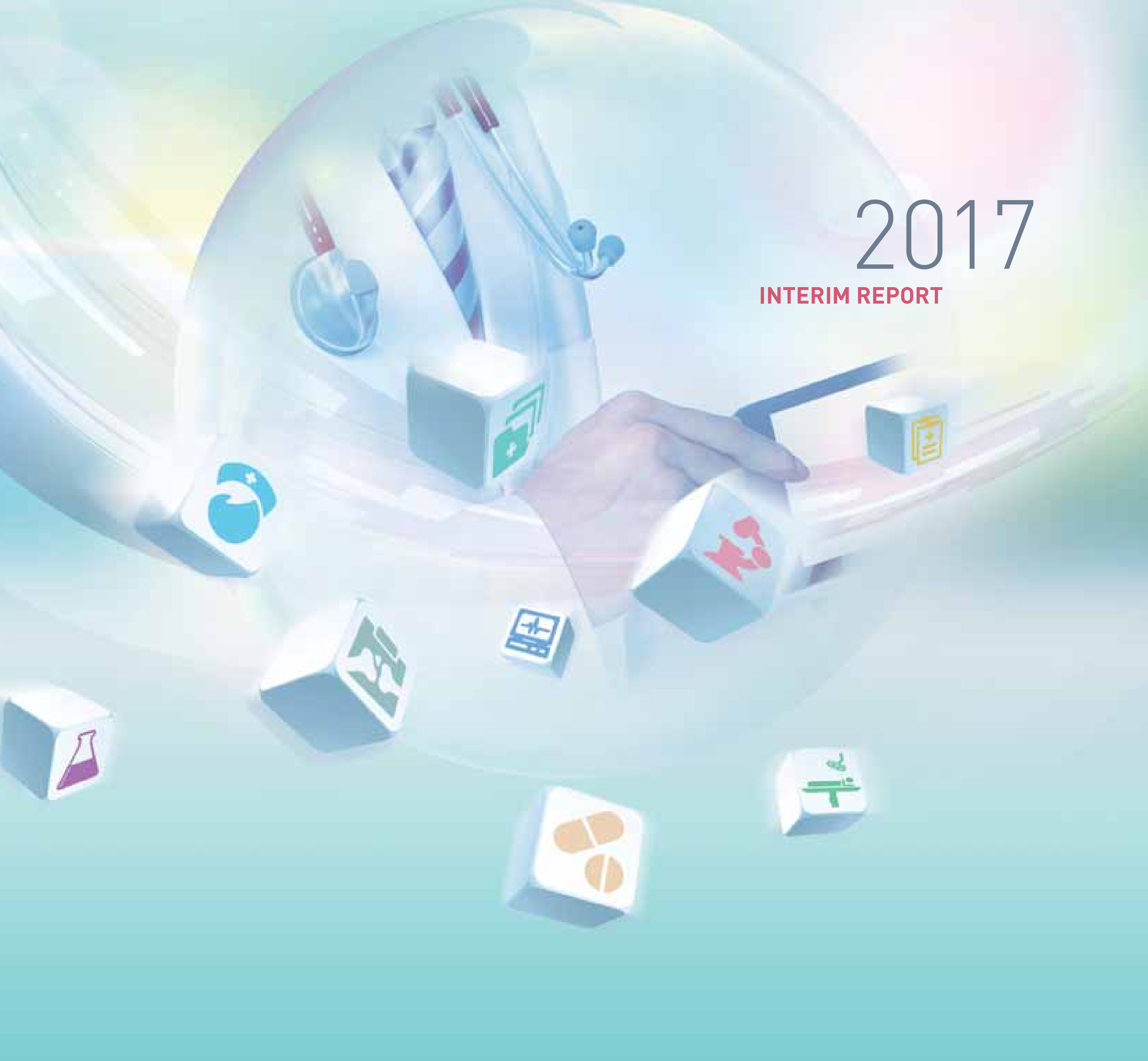
中国先锋医药控股有限公司
China Pioneer Pharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code : 01345

先機為重 *Pioneering Success*
鋒行天下



2017
INTERIM REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Wang Yinping
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
Mr. Min Le

COMPANY SECRETARY

Mr. Min Le

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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Putuo District
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Tel: (86) 021 50498986

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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Wanchai, Hong Kong

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISOR
Allen & Overy

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 2017 was RMB1,028.2 million, which represents a 27.6% increase compared to RMB806.0 million for the same period last year.
- Net profit of the Group for the six months ended 30 June 2017 was RMB142.7 million, which represents a 42.7% increase compared to RMB100.0 million for the same period last year.
- Basic earnings per share was RMB0.109 for the six months ended 30 June 2017, which represents a 43.4% increase compared to RMB0.076 for the same period last year.
- The Board declared an interim dividend of RMB6.4 cents per share for the six months ended 30 June 2017.

	For the six months ended 30 June				
	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)	2013 RMB'000 (audited)
Operating results					
Revenue	**1,028,182**	806,029	803,243	738,787	551,330
Gross profit	**326,823**	251,310	252,725	241,255	163,233
Profit before income tax expense	**157,030**	116,563	182,447	158,090	124,922
Profit for the period	**142,674**	100,015	160,836	136,030	111,080
Profit for the period, all attributable to the owners of the Company	**141,348**	98,807	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 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 Pharmaceuticals Ltd. ("**Alcon**"), the world's largest eye care products company.

Marketing and promotion services that the Group provides include formulating marketing and promotion strategies, educating 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 of the Group). When required by its suppliers, the Group also manages the product registration process that is a prerequisite to 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 (such processes are required for selling pharmaceutical products and medical devices to public hospitals and medical institutions in China), 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 suppliers based in Europe and North America. These products offset unmet medical needs because of their superior clinical profiles, improved quality and formulations, or the lack of competition from similar products in the Chinese market.

For the six months ended 30 June 2017 (the "**Reporting Period**"), the Group sold its products through its nationwide marketing, promotion and channel management service network to a total of approximately 30,000 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Since 2017, a number of policies related to the Chinese pharmaceutical sector have been announced, including the introduction of several detailed regulations relating to the "Consistent Evaluation of Generic Drugs", the formal implementation of the "Two-Invoice System", and the issue of the new "National Drug Reimbursement Catalogue". The pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail industries have undergone tremendous changes as a result of these policies. Under the continued pressure of medical insurance cost controls, policies are still directed towards pursuing the most efficient use of medical insurance funds. The pressure of decreasing drug prices in tender processes, the integration of the pharmaceutical distribution industry driven by the "Two-Invoice System", and the reduction in non-market factors for the use of certain drugs through the separation of hospitals and pharmacies, are all aimed at improving the utilization efficiency of medical insurance funds. On the other hand, China's pharmaceutical industry is benefiting from both the aging of the population and the two-child policy. Each company in the industry must face the opportunities and pressures from the changes described above. Operating in a distinctive and important segment of the pharmaceutical industry, the Group, leveraging its competitive strengths, will endeavor to take opportunities to further develop its business amidst a changing and challenging market environment.

Despite the pressures of increasing medical insurance cost control and decreasing drug prices in tender processes, as the policy direction becomes clearer and the standard of regulatory compliance rises across the industry, the overall pharmaceutical industry appears to have largely stabilized and its performance is now trending upwards. The Group has proactively managed the impact of the aforementioned pricing policies and market changes, achieving pleasing results through emphasizing the development of its key products, while taking into account the market position and promotion of potential products. For the Reporting Period, the Group's revenue increased by 27.6% compared to the same period last year to RMB1,028.2 million. Net profit increased by 42.7% compared to the same period last year to RMB142.7 million.

For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 39.4% compared to the same period last year to RMB361.8 million, representing 35.2% of the Group's revenue for the Reporting Period. Gross profit increased by 40.7% compared to the same period last year to RMB231.9 million, representing 71.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services was RMB63.6 million, remaining flat compared to the same period last year, representing 6.2% of the Group's revenue for the Reporting Period. Gross profit slightly decreased by 0.8% compared to the same period last year to RMB33.4 million, representing 10.2% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group continued to provide channel management services for all of Alcon's 24 products sold in China and at the same time, provide co-promotion services for these products. For the Reporting Period, revenue generated from products sold via the provision of co-promotion and channel management services increased by 24.8% compared to the same period last year to RMB602.7 million, representing 58.6% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB61.6 million, representing 18.8% of the Group's gross profit for the Reporting Period.

1 Product Development

As of 30 June 2017, 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, orthopedics, 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 30 June			
Category	2017 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2016 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	361,826	35.2	259,631	32.2
Medical Devices	63,616	6.2	63,611	7.9
Gross Profit:				
Pharmaceutical Products	231,902	71.0	164,779	65.6
Medical Devices	33,353	10.2	33,610	13.4

During the Reporting Period, although existing pressures from medical insurance cost controls, drug price reduction in tender processes and drug consumption limitations in medical institutions have continued, the rate of decline of drug prices has slowed down and demand for drugs continues to be robust and to grow. The Group adopted a sensible bidding strategy in tenders, highlighting the Group's products' superior quality, resulting in the Group securing a stable market position for its products. Meanwhile, the Group reinforced its marketing efforts with the aim of 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 maintained rapid growth. During the Reporting Period, revenue generated from this segment increased by 39.4% compared to the same period last year to RMB361.8 million, representing 35.2% of the Group's revenue for the Reporting Period. Gross profit increased by 40.7% compared to the same period last year to RMB231.9 million, representing 71.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB69.6 million, representing an increase of 1.5% compared to the same period last year. As one of the Group's best-selling products, Difene has established a strong reputation and brand recognition in China after years of market positioning, brand building and marketing network expansion. Difene is the sole dosage product of its type in the market and comes in 10-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sale of the 10-pack specification. Difene won favourably priced bids in those provinces where tender processes were held, maintaining a stable market position and development. During the Reporting Period, the later than expected official publication of tender results in some provinces led to delays in the progress of sales in some provinces of the Difene 20-pack specification, as well as several terminal pharmacies carried out audits of their core businesses pursuant to relevant national policy requirements, resulting in temporary fluctuations in their product purchasing volumes, which had some effect on overall Difene sales volumes. However, the Group believes that these temporary negative factors will gradually disappear, due to its solid market foundation and the promotion of the 20-pack specification in more provinces, Difene will continue to meet the different needs of increasing number of patients.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB96.5 million, representing an increase of 40.0% compared to the same period last year. Since last year, the Group made full use of the range of different dosage options available for Fluxum to implement sensible bidding strategies in the new round of drug tender processes in different provinces. As a result, the Group maintained Fluxum's position in existing markets and also entered into a number of new markets. Since 2017, following a new round of tender processes, the Group took the opportunity to enter new markets from which its competitors had exited, and the sales volumes in these new markets were substantial. In addition, Fluxum was listed as the only imported low molecular weight heparin product in the national essential medical insurance, industrial injury insurance and maternity insurance drug catalogue (the "**New National Drug Reimbursement Catalogue**") published by the Ministry of Human Resources and Social Security of the People's Republic of China in February 2017 which will create further opportunities to increase its market potential. By working closely with third-party promotion partners, and closely following and effectively participating in clinical promotions of Fluxum, the product increased its market share. During the Reporting Period, the Group increased its market coverage by over 290 new hospitals. Due to its leading market position among similar products, as well as the increasing recognition of anticoagulation among more hospitals, the Group believes that Fluxum has a solid foundation for long-term growth.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB95.7 million, representing an increase of 120.5% compared to the same period last year. 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 product. Following the approval of a new license in 2016, the Group resumed importing and selling Polimod from April 2016. In addition, the areas where the Group was entitled to market, promote and sell Polimod were extended from eight provinces to the whole territory of China in March 2016, as a result, the potential of the product in the market has improved significantly. After over one year of effort in preparing markets for the sale of Polimod, in new regions where the Group is authorised to market and promote Polimod, the Group has successfully taken over the market and business, allowing the product to rapidly enter those markets, as well as laying the foundations for the product's overall market position in the country. The Group is improving its product promotion strategy through active marketing measures tailored for different market environments in different regions. As the originator of Pidotimod, Polimod has obvious advantages in quality and clinical efficacy compared with generic products and has established a strong reputation and brand recognition. By further expanding the application of Polimod to more departments in hospitals, and increasing education programs for doctors and patients with respect to the product, the Group will accelerate its marketing efforts and tap into the large potential market in the expanded marketing territory, in order to increase the sales of Polimod.

The Group has also firmly pressed ahead with the market positioning and development of its other pharmaceutical products, achieving excellent results. For the Reporting Period, the Group's revenue generated from sales of these products was RMB100.0 million, representing an increase of 27.0% compared to the same period last year. Specifically, the Group's cardiovascular product Neoton, as the sole imported originator of creatine phosphate sodium for injection, following the new round of tender processes in different provinces, successfully entered a number of important new markets, laying the foundations for long term growth. Meanwhile, the Group took the opportunity presented by the exit of a number of competitors and used the international academic status of the product as a basis for promotional activities, strengthening the recognition of the product among doctors and patients and increasing market share. The Group's gynecological product Macmiror Complex is the only nifuratel product in suppository dosage in the market, which lays a solid ground for the academic promotion of the product. During the Reporting Period, the Group continues to took the opportunity of its inclusion in the National Drug Reimbursement Catalogue to strengthen marketing and promotion activities targeted at hospitals and departments covered by its network, and to grow its share in the gynecology therapeutic market. Given the constant changes in the pharmaceutical market, the Group will take full advantage of the competitive edge of these products, and take advantage of market development opportunities for each of these products, so as to continuously increase their contribution to the Group's revenue.

In recent years, China's medical device industry has undergone rapid development at a growth rate that even outpaced the pharmaceutical industry. The Group has provided comprehensive marketing, promotion and channel management services for imported medical devices in China since 2012, and has been deeply involved in the market. After several years of business operations, the Group adjusted its specific strategies for the medical device business in light of the changes in the market environment, focusing on the development of medical consumable products with greater market potential. At present, the Group has a wide range of medical devices products covering ophthalmic surgical equipment and consumables, intraocular lens, orthopedics consumables, odontology equipment and consumables and wound care products. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services was RMB63.6 million, remaining flat compared to the same period last year, representing 6.2% of the Group's revenue for the Reporting Period. Gross profit slightly decreased by 0.8% compared to the same period last year to RMB33.4 million, representing 10.2% of the Group's gross profit for the Reporting Period. The Group will make full use of the resources and operating experience in respect of existing medical device products to expand the portfolio of medical devices and enhance its contribution to the Group's revenue.

NeutroPhase is a wound cleanser in the portfolio of medical consumables offered by the Group, which features outstanding clinical effect, a high level of safety for cells and a unique patented technology. Since its official launch in 2015, its sales were impacted due to the fact that it lacked a charge code at most hospitals. Nevertheless, the Group, following its significant efforts, has made significant progress in rectify such issue in several provinces, and has begun planning to develop new markets in the provinces concerned, which will lay the foundation for the long-term development of NeutroPhase. The Group will continue to closely monitor and promptly resolve the charge code issue in other provinces. Meanwhile, the Group continues to cultivate the market for NeutroPhase, by organizing academic promotion activities such as collecting feedback of clinical cases and initiating joint clinical studies with several renowned Class III hospitals in China, and has received further positive feedback from experts and doctors in the wound care area on the clinical effectiveness of NeutroPhase. As a result, there is unique brand awareness in respect of NeutroPhase in the field of wound care, which is a solid foundation for its rapid development in the future. As of 30 June 2017, NeutroPhase has won bids in 32 cities, and covered over 160 hospitals and medical institutions in these cities, of which over 70 are Class III hospitals.

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

	For the six months ended 30 June			
Category	2017 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2016 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	**602,740**	**58.6**	482,787	59.9
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**61,568**	**18.8**	52,921	21.1

China's ophthalmic pharmaceutical industry has huge growth opportunities. Due to increasing school work and frequent use of electronic devices, patients with eye diseases caused by poor eye care habits are increasing rapidly and patients have become younger. In addition, as the aging of China's population accelerates, numbers of patients with age-related eye diseases are also increasing rapidly. China has huge potential inelastic demand for ophthalmic drugs.

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. Notwithstanding the continued pricing pressure in certain provinces, the sales of Alcon's ophthalmic drugs have increased steadily in 2017, thanks to its product quality, brand strength, precisely-targeted promotional activities and scrupulous cultivation of the market. In addition, Alcon continues to leverage its strength in ophthalmology and launch new ophthalmic products in China, so as to meet the demand of a larger patient base. For the Reporting Period, the Group's revenue generated from the sales of Alcon's ophthalmic pharmaceutical products increased by 24.8% compared to the same period last year to RMB602.7 million, representing 58.6% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB61.6 million, representing 18.8% of the Group's gross profit for the Reporting Period. As disclosed in the Company's announcement dated 23 August 2017, the current cooperation agreement entered into between the Group and Alcon is due to expire on 31 December 2018. Alcon has indicated to the Group that it does not intend to extend the agreement on the same terms following its expiry. The Group is now in talks with Alcon regarding other possible future cooperation arrangements, but as at the date of this report, it has not entered into any formal agreement with Alcon on any arrangements after the expiry of the current cooperation agreement.

1.3 *Product Pipeline*

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to its existing products referred to the above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective product candidates, the Group considers factors such as clinical effectiveness, competitive environment, registration and regulatory regime and reputation of suppliers.

During the Reporting Period, the Company entered into a distribution agreement with Ortho Development Corporation ("**Ortho Development**") of the United States in June 2017, pursuant to which the Company was granted the exclusive distribution rights with respect to Ortho Development's Balanced Knee® System products (the "**BKS Products**") in China (excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan). The term of the agreement continues until the end of 2022. Upon the expiry of the initial term referred to above, the agreement may be extended by a year upon mutual consent of the parties. The BKS Products include implants and surgical instruments used in total knee replacement procedures. The system design is based on a proven technology and has over 17 years of successful clinical use. The implants are offered in a wide range of sizes and options to match the different physical conditions of individual patients. The system includes a patented locking mechanism specifically designed to minimize micro-motion between tibial insert and tibial base plate implants. The medical device registration for such products has been completed. The Group intends to market these products as soon as practicable. Currently, China has become the second largest market for orthopedic medical devices in the world. Owing to the aging population and improvement in government policies related to health insurance, the market size for orthopedic medical devices continues to grow rapidly in China. This agreement will facilitate the Group's entry into the area of knee treatment, expand the Group's offering of orthopedic treatment products, enhance the Group's product portfolio and generate sustainable revenue for the Group.

In addition, after streamlining its product pipeline in accordance with the new healthcare product review and registration policy in 2016, the Group has retained over 10 products in respect of which it is applying or will apply for registration with the China Food and Drug Administration ("**CFDA**"). During the Reporting Period, clinical trials have commenced for Mirtazapine (produced by Ehypharm of France, mainly used for the treatment of depressive episodes). The Group has submitted supplementary documents to the CFDA for the hernia repair patch (produced by Biocer of Germany, used for repairing various kind of hernia). The CFDA completed the preliminary review of the KINETIC Dynamic Anterior Cervical Plate System (produced by Lifespine of the United States, used for an anterior cervical spinal fixation), and supplementary documents are currently being prepared. The Group is also currently preparing application documents for Intacs® Corneal Implants (produced by AJL of Spain, used for reduction or elimination of myopia caused by keratoconus).

2 Marketing Network Development

With the introduction of new government policies relating to the pharmaceutical industry and constant change in the pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's development. The "Two-Invoice System" policy has been in force since 2017 in various provinces. The Group, as the sole importer of certain overseas medical products into China, is considered as the manufacturer of these imported medical products under the "Two-Invoice System". In addition, the Group has also refined its business system and consolidated product distribution channels to meet the requirements of "Two-Invoice System" policy.

The Group's marketing and promotion model involves both in-house teams and third-party promotion partners. To maintain the efficiency and stability of the marketing network, the Group has established an in-house sales and product manager team for each product business unit, to manage and support their third-party promotion partners. The Group's marketing and promotional activities are carried out by the in-house teams and third-party promotion partners. The in-house teams are primarily responsible for developing marketing and promotion strategies, conducting pilot marketing programs, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, each product line continuously devoted itself to building a more "professional" and "efficient" in-house marketing team and third-party promotion partners to improve operational efficiency and market responsiveness. The Group's headquarters established overall marketing and promotion policies and allocated public resources 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 continues to develop its in-house marketing teams through internal reorganisations as well as recruitment of external talent, and continues to strengthen in-house marketing teams' involvement in marketing activities such as direct participation in academic promotions. The Group is also increasing its efforts in improving the quality of third-party promotion partners, including providing further training and support to improve their understanding of the Group's products, and assisting them in providing doctors with clinical solutions related to the Group's products. The Group continues to refine the process management and performance management system applicable to its marketing team, and improve the quality of the team based on its performance. It also continues to improve the allocation of the marketing teams to fill any gaps identified in the market and tap into the market potential of its products. In addition, the Group continuously improves communications and shares information and experience with its third-party promotion partners, to jointly cope with changes in government policies and in the market. During the Reporting Period, the organic development of the Group's marketing network led to significant improvement of its market coverage. For instance, the number of hospitals and medical institutions using Difene has increased by over 960 hospitals and medical institutions, and the number of hospitals using Fluxum has increased by over 290. As of 30 June 2017, the Group had sold products through its nationwide marketing, promotion and channel management service networks to approximately 30,000 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

3 **Future and Outlook**

Although the pharmaceutical industry is undergoing significant reform due to the frequent introduction of new government policies, there is greater clarity in policy direction and a rising standard of regulatory compliance in the industry. Looking forward, enterprises that can offer superior products and respond to market changes efficiently will seize more development opportunities. By focusing on its two core development strategies, being "Product" and "Marketing", and leveraging its competitive advantages, the Group will further enhance its product portfolio, improve its marketing and promotion strategy, pursue opportunities in the ever-changing environment of the Chinese pharmaceutical industry, and maximize returns for its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue in the Reporting Period was RMB1,028.2 million, representing a 27.6% increase from RMB806.0 million for the six months ended 30 June 2016. Revenue generated from sales of pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB361.8 million, representing a 39.4% increase from RMB259.6 million for the six months ended 30 June 2016, primarily due to the Group's continual efforts to promote and expand the coverage of these products through its marketing network. Revenue generated from sales of medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB63.6 million, remaining flat compared to the six months ended 30 June 2016. Revenue generated from sales of products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB602.7 million, representing a 24.8% increase from RMB482.8 million for the six months ended 30 June 2016, primarily due to the sales of Alcon's ophthalmic pharmaceutical products which maintained a satisfactory growing trend, as well as the Group's continually intensifying efforts on co-promotion services for Alcon's products.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB701.4 million, representing a 26.4% increase from RMB554.7 million for the six months ended 30 June 2016, primarily due to an increase of sales. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB129.9 million, representing a 37.0% increase from RMB94.9 million for the six months ended 30 June 2016. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB30.3 million, representing a 0.9% increase from RMB30.0 million for the six months ended 30 June 2016. Cost of sales in products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB541.2 million, representing a 25.9% increase from RMB429.9 million for the six months ended 30 June 2016.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB326.8 million, representing a 30.0% increase from RMB251.3 million for the six months ended 30 June 2016. The Group's average gross profit margin in the Reporting Period was 31.8%, representing an increase from 31.2% for the six months ended 30 June 2016. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 64.1%, representing an increase from 63.5% for the six months ended 30 June 2016, primarily due to an increase in the sales price of some products in certain regions. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 52.4%, representing a decrease from 52.8% for the six months ended 30 June 2016, primarily because a higher proportion of the Group's revenue were derived from the sales of medical devices products which generally generate lower gross profit margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services in the Reporting Period was 10.2%, representing a decrease from 11.0% for the six months ended 30 June 2016, primarily due to a decrease in the bid price of certain Alcon's ophthalmic pharmaceutical products.

Other income

The Group's other income in the Reporting Period was RMB30.7 million, representing a 79.7% increase from RMB17.1 million for the six months ended 30 June 2016, primarily due to an increase in the amount of government grants received by the Group.

Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB152.9 million, representing a 49.7% increase from RMB102.2 million for the six months ended 30 June 2016, 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 for expanding the market shares of certain products. Distribution and sale expenses in the Reporting Period were 14.9% of the revenue, representing an increase from 12.7% for the six months ended 30 June 2016.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB31.4 million, representing a 0.8% decrease from RMB31.7 million for the six months ended 30 June 2016, primarily due to a decrease in the administrative expenses related to the disposal of the Group's subsidiaries in the second half of year 2016. Administrative expenses in the Reporting Period were 3.1% of the revenue, representing a decrease from 3.9% for the six months ended 30 June 2016.

Finance costs

The Group's finance costs in the Reporting Period were RMB1.3 million, representing a 60.8% decrease from RMB3.2 million for the six months ended 30 June 2016, primarily due to a decrease in bank loans which resulted in lower interest expenses.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB14.4 million, representing a 13.2% decrease from RMB16.5 million for the six months ended 30 June 2016. The Group's effective income tax rate for the six months ended 30 June 2016 and the Reporting Period was 14.2% and 9.1%, 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 RMB4.5 million of PRC withholding tax pursuant to the declared payment of an interim dividend of RMB85.5 million for the six months ended 30 June 2017.

Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB142.7 million, representing a 42.7% increase from RMB100.0 million for the six months ended 30 June 2016. The Group's net profit margin in the Reporting Period was 13.9%, representing an increase from 12.4% for the six months ended 30 June 2016.

Liquidity and capital resources

In the past, the Group's working capital and other capital needs were mainly funded by net cash flow from its operations, with supplementary financing from banks. The Group's cash and cash equivalents as of 30 June 2017 were RMB326.8 million, increasing from RMB309.6 million as of 31 December 2016, primarily due to the increase of operating profit and enhancement of accounts receivable collection efforts.

Inventories

The Group's inventory balance as of 30 June 2017 was RMB517.8 million, representing a 0.5% decrease from RMB520.2 million as of 31 December 2016, primarily due to the higher efficiency of inventory turnover as a result of the Group's improved inventory management.

Trade and other receivables

The Group's trade and other receivables as of 30 June 2017 were RMB510.7 million, representing a 16.9% increase from RMB436.8 million as of 31 December 2016. Meanwhile, the trade receivables turnover as of 30 June 2017 was 70.7 days, representing a slight increase from 69.8 days as of 31 December 2016, primarily due to the Group's continually intensifying efforts in collecting accounts receivable so as to achieve a higher efficiency of accounts receivable turnover when the Group's revenue increased significantly.

Trade and other payables

The Group's trade and other payables as of 30 June 2017 were RMB539.3 million, representing a 11.9% increase from RMB481.9 million as of 31 December 2016. The Group's trade payables turnover as of 30 June 2017 was 117.7 days, representing a decrease from 128.5 days as of 31 December 2016, primarily due to an increase in the proportion of products purchased with shorter payment term for the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB40.0 million as of 30 June 2017 as compared to RMB76.3 million as of 31 December 2016. On 30 June 2017, the effective interest rate of the Group's bank borrowing is 4.79%. As of 30 June 2017, bank borrowings of RMB40.0 million were secured by the pledge of the Group's trade receivables. As of 31 December 2016, bank borrowings of RMB36.2 million were secured by the pledge of the Group's trade receivables and bank deposits. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 2.3% as of 30 June 2017, as compared to 4.4% as of 31 December 2016.

Indebtedness

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
As of 30 June 2017			
Bank borrowings	**40,000**	**–**	**40,000**
Trade payables	**485,431**	**130**	**485,561**
As of 31 December 2016			
Bank borrowings	76,251	–	76,251
Trade payables	416,839	75	416,914

Significant investments

NovaBay Pharmaceuticals, Inc. ("**NovaBay**") is a biopharmaceutical company incorporated in Delaware, United States developing products for the eye care market, and currently focuses primarily on commercializing the prescription of Avenova® for managing hygiene of eyelids and lashes in the United States. Its shares are traded on the New York Stock Exchange. The Group has commenced its business relationship with NovaBay since 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.

As of 30 June 2017, the Group held a total of 5,212,747 ordinary shares of NovaBay, representing approximately 34.1% of its equity interest, and does not hold any NovaBay warrants. NovaBay is now dedicated 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 investment allows the Group to enhance its business relationship with NovaBay, and the Group remains confident in NovaBay's future development.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2017, the Group had a total of 340 employees. For the Reporting Period, staff costs of the Group were RMB28.3 million as compared to RMB23.1 million for the six months ended 30 June 2016. The Group's employee remuneration policy is determined by taking into account factors such as the remuneration level in the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and employees' performance. The Group conducts performance appraisals once every year for its employees, the results of which are taken into consideration in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material 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 2017. 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 enquiries have been made to all the directors of the Company (the "**Directors**") and the Directors have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct throughout the six months ended 30 June 2017.

USE OF NET PROCEEDS FROM LISTING

The Company raised 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 used in the following manner:

- HK$147.3 million to fund purchases of imported pharmaceutical products and medical devices from overseas suppliers;

- HK$5.9 million to enlarge the Group's product portfolio; and

- HK$60.7 million for the Group's working capital and other general corporate purposes.

For details of the adjustments to use of IPO Proceeds, please refer to the announcement of the Company dated 9 May 2016. As of 30 June 2017, the unused IPO Proceeds of approximately HK$81.1 million were deposited in licensed banks in Hong Kong.

AUDIT COMMITTEE

The board (the "**Board**") of Directors 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, 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 group audit.

The unaudited interim results of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") on 10 April 2015 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. 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 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 has been granted by the Company and no granted awarded share has been vested under the Share Award Scheme for the six months ended 30 June 2017.

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

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, a non-executive Director, was appointed as the director of Western Resources Corp., a company listed on the Toronto Stock Exchange (stock quote: WRX) on 5 April 2017.

Save as disclosed above, up to the date of this report, there were no changes to the information which is required to be disclosed and which has 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 2017, 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:

Interests in the shares of the Company

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%
	Interest of spouse[2]	1,403,000 (L)	0.11%
	Beneficial owner	9,652,000 (L)	0.72%
Zhu Mengjun	Beneficial owner	2,969,000 (L)[3]	0.22%
Wang Yinping	Beneficial owner	1,300,000 (L)[4]	0.10%

Remark:

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

Notes:

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

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

3. Mr. Zhu Mengjun is 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.

4. Mr. Wang Yinping holds 1,300,000 Shares, all of which were awarded and granted to Mr. Wang Yinping under the Share Award Scheme on 9 October 2015.

Save as disclosed above, as of 30 June 2017, 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 the 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 2017 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, nor were any such rights exercised by them; nor 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 2017, 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 is deemed to be interested in 921,824,000 Shares held under the discretionary trust.

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

3. Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is 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.) is 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, as of 30 June 2017, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB6.4 cents per share for the six months ended 30 June 2017 to the shareholders of the Company whose names appear on the register of members of the Company as of the close of business on Wednesday, 18 October 2017. The interim dividend is expected to be paid to the Shareholders on Monday, 30 October 2017. 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 the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as of 16 October 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday,18 October 2017, 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 Tuesday, 17 October 2017.

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 23 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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
23 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	3	**1,028,182**	806,029
Cost of sales		**(701,359)**	(554,719)
Gross profit		**326,823**	251,310
Other income	4	**30,664**	17,061
Other gains and losses	5	**(4,364)**	5,983
Distribution and selling expenses		**(152,872)**	(102,151)
Administrative expenses		**(31,444)**	(31,696)
Finance costs		**(1,255)**	(3,201)
Share of loss of associates		**(10,522)**	(20,743)
Profit before taxation	6	**157,030**	116,563
Income tax expense	7	**(14,356)**	(16,548)
Profit for the period		**142,674**	100,015
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**6,184**	(5,064)
– Share of exchange differences of associates		**(1,970)**	2,945
Other comprehensive income (expense) for the period		**4,214**	(2,119)
Total comprehensive income for the period		**146,888**	97,896
Profit for the period attributable to:			
Owners of the Company		**141,348**	98,807
Non-controlling interests		**1,326**	1,208
		142,674	100,015
Total comprehensive income for the period attributable to:			
Owners of the Company		**145,570**	96,822
Non-controlling interests		**1,318**	1,074
		146,888	97,896
		RMB yuan	RMB yuan
Basic and diluted Earnings per share	9	**0.11**	0.08

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	*10*	**47,562**	49,853
Prepaid lease payments		**2,141**	2,167
Intangible assets		**15,335**	15,883
Interest in an associate	*11*	**77,024**	89,223
Other investment	*12*	**20,000**	20,000
Finance lease receivables		**27,830**	38,905
Deferred tax assets	*13*	**4,323**	5,947
Amount due from a related party	*16*	**104,913**	117,419
		299,128	339,397
Current Assets			
Inventories		**517,792**	520,244
Finance lease receivables		**36,919**	29,299
Trade and other receivables	*14*	**510,730**	436,837
Amounts due from related parties	*16*	**36,085**	39,805
Tax recoverable		**16**	78
Prepaid lease payments		**52**	52
Pledged bank deposits		**35,161**	73,120
Bank balances and cash		**326,789**	309,640
		1,463,544	1,409,075

At 30 June 2017

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	15	539,318	481,925
Amounts due to related parties	16	331	2,827
Tax liabilities		28,663	28,598
Bank borrowings	17	40,000	76,251
Provision	18	1,981	1,886
Obligations under finance lease		3,762	3,186
		614,055	594,673
Net Current Assets		849,489	814,402
Total Assets less Current Liabilities		1,148,617	1,153,799
Capital and Reserves			
Share capital	19	82,096	82,096
Reserves		1,037,000	1,028,763
Equity attributable to owners of the Company		1,119,096	1,110,859
Non-controlling interests		1,010	(308)
Total Equity		1,120,106	1,110,551
Non-current liabilities			
Deferred tax liability	13	4,500	7,250
Long-term liabilities	15	14,352	23,302
Liabilities for share award scheme		344	1,464
Obligation under finance leases		9,315	11,232
		1,148,617	1,153,799

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	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 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
At 1 January 2017 (Audited)	**82,096**	**956,993**	**(50,646)**	**(6,526)**	**12,450**	**(150,398)**	**285,400**	**(18,510)**	**1,110,859**	**(308)**	**1,110,551**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**141,348**	**–**	**141,348**	**1,326**	**142,674**
Other comprehensive income (expense)	**–**	**–**	**–**	**4,222**	**–**	**–**	**–**	**–**	**4,222**	**(8)**	**4,214**
Total comprehensive income for the period	**–**	**–**	**–**	**4,222**	**–**	**–**	**141,348**	**–**	**145,570**	**1,318**	**146,888**
Dividends declared and recognised as distribution *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**(137,333)**	**–**	**(137,333)**	**–**	**(137,333)**
At 30 June 2017 (Unaudited)	**82,096**	**956,993**	**(50,646)**	**(2,304)**	**12,450**	**(150,398)**	**289,415**	**(18,510)**	**1,119,096**	**1,010**	**1,120,106**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**132,250**	113,163
INVESTING ACTIVITIES		
Interest received	**2,293**	1,698
Loan advance to an associate	**–**	(7,114)
Repayment from associates	**–**	22,208
Purchases of property, plant and equipment	**(58)**	(1,656)
Capital injection in associates	**–**	(24,909)
Placement of pledged bank deposits	**(35,161)**	(73,660)
Withdrawal of pledged bank deposits	**73,120**	35,953
Payment for intangible assets	**(230)**	(1,998)
Repayment from a related party	**19,334**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES	**59,298**	(49,478)
FINANCING ACTIVITIES		
New bank borrowings raised	**40,000**	166,243
Repayments of bank borrowings	**(76,251)**	(201,111)
Dividends paid	**(137,333)**	(47,500)
Payment for repurchase of ordinary shares	**–**	(3,714)
NET CASH USED IN FINANCING ACTIVITIES	**(173,584)**	(86,082)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**17,964**	(22,397)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**309,640**	317,113
Effect of foreign exchange rate changes	**(815)**	1,024
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**326,789**	295,740

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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 on 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the People's Republic of China ("**PRC**"). The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Limited ("**Pioneer BVI**") and Tian Tian Limited, respectively. Both companies are incorporated in the British Virgin Islands and are controlled by Mr. Li Xinzhou ("**Mr. Li**") and Ms. Wu Qian, the spouse of Mr. Li.

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.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax assets for Unrealised Losses; and*
- Amendments to IFRS 12 *As part of the Annual Improvements to IFRSs 2014–2016 cycle*.

The application of the above 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of pharmaceutical products	**964,566**	742,418
Sales of medical devices	**63,616**	63,611
	1,028,182	806,029

The Group's chief operating decision makers are 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 makers 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 2017 (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	425,442	602,740	1,028,182
Cost of sales	(160,187)	(541,172)	(701,359)
Gross profit & segment result	265,255	61,568	326,823
Other income			30,664
Other gains and losses			(4,364)
Distribution and selling expenses			(152,872)
Administrative expenses			(31,444)
Finance costs			(1,255)
Share of loss of an associate			(10,522)
Profit before taxation			157,030

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

For the six months ended 30 June 2017

4. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**19,583**	6,227
Interest on bank deposits	**1,560**	4,131
Interest income on finance leases	**3,556**	4,017
Interest income on loans to associates	**–**	563
Interest on amount due from a related party	**3,158**	–
Service income	**2,807**	1,746
Others	**–**	377
	30,664	17,061

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	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains	**(14,566)**	4,504
Impairment loss reversed (recognised) in respect of trade and other receivables	**6,884**	(8,781)
Reversal of impairment loss on finance lease receivables	**3,025**	1,259
Gain on initial recognition of warrants	**–**	4,476
Gain on fair value changes of derivative financial instruments	**–**	1,538
Gain on dilution on interests in associates	**293**	6,032
Written off of interest receivable from an associate	**–**	(1,290)
Impairment loss on investment in an associate	**–**	(6,378)
Reversal of impairment loss on investment in an associate	**–**	4,623
	(4,364)	5,983

For the six months ended 30 June 2017

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**2,876**	1,761
Other staff's retirement benefits scheme contributions	**4,420**	4,493
Other staff costs	**21,050**	16,838
Total staff costs	**28,346**	23,092
Auditors' remuneration	**2,611**	2,183
Allowance for inventories, net	**1,014**	713
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**2,322**	3,476
Amortisation of intangible assets	**778**	3,292
Cost of inventories recognised as an expense	**701,359**	554,719
Minimum lease payment under operating lease in respect of premises	**97**	153

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**13,881**	15,068
Underprovision in prior period		
PRC Enterprise Income Tax	**1,601**	–
	15,482	15,068
Deferred tax *(note 13)*		
Current period	**(1,126)**	1,480
	14,356	16,548

8. DIVIDENDS

During the six months ended 30 June 2017, a final dividend of RMB10.3 cents (six months ended 30 June 2016: RMB3.6 cents) per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: 31 December 2015) 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 RMB137,333,000 (six months ended 30 June 2016: RMB47,500,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB6.4 cents per share, amounting to approximately RMB85,500,000 in aggregate (six months ended 30 June 2016: RMB95,000,000) will be paid to the shareholders of the Company whose names appear in the register of members as of the close of business on 18 October 2017.

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	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**141,348**	98,807
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,294,221,000**	1,296,965,710

For the six months ended 30 June 2017 and 2016, 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 from the market pursuant to the share award scheme.

For the six months ended 30 June 2017 and 2016, 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 RMB58,000 (2016: RMB1,656,000) for acquisition of buildings, furniture and equipment and motor vehicles in order to upgrade its capabilities.

For the six months ended 30 June 2017

11. INTEREST IN AN ASSOCIATE

Name of associate	Form of entity	Classes of shares held	Principal activity	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group 30 June 2017	31 December 2016
NovaBay Pharmaceuticals Inc. ("**NovaBay**") *(Note)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	**34.05%**	34.14%

Note:

During the six months ended 30 June 2017, NovaBay issued an aggregate of 39,805 shares to various investors. A gain on dilution of approximately RMB293,000 was recognized in profit or loss. As of 30 June 2017, the Group held a total of 5,212,747 ordinary shares representing approximately 34.05% (31 December 2016: 5,212,747 ordinary shares representing approximately 34.14%) of issued shares of NovaBay.

Indicated by negative financial performance of NovaBay for the six months ended 30 June 2017, the Group takes into consideration to perform impairment assessment for its carrying amount 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 the shares of NovaBay are listed on 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.

The recoverable amount of the investment in NovaBay as at 30 June 2017 has been determined based on the quoted market price. As the recoverable amount of the investment is greater than the corresponding carrying amount, nil impairment loss is recognised (31 December 2016: a reversal of impairment loss of approximately RMB41,263,000) for the six months ended 30 June 2017 in relation to the interest in an associate.

12. OTHER INVESTMENT

The balance as of 30 June 2017 and 31 December 2016 represents 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 specialises in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2017 and 31 December 2016, 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 and accounted for as available-for-sales investment. 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)	1,063	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)
Credit (charge) to profit or loss for the period	596	887	6	1,800	(2,250)	499	1,538
Effect of foreign currency exchange differences	–	–	–	–	–	61	61
Disposal of subsidiaries	–	–	–	–	–	10,287	10,287
At 31 December 2016 (Audited)	2,362	1,093	169	2,323	(7,250)	–	(1,303)
(Charge) credit to profit or loss for the period	(650)	(67)	9	(916)	2,750	–	1,126
At 30 June 2017 (Unaudited)	**1,712**	**1,026**	**178**	**1,407**	**(4,500)**	**–**	**(177)**

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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Deferred tax assets	4,323	5,947
Deferred tax liability	(4,500)	(7,250)
	(177)	(1,303)

As at the end of the current interim period, the Group has unused tax losses of approximately RMB49,898,000 (31 December 2016: RMB48,125,000) 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
2017	–	1,556
2018	3,600	5,156
2019	25,280	25,280
2020	11,092	11,424
2021	4,159	4,709
2022	5,767	–
	49,898	48,125

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 RMB520,040,000 (31 December 2016: RMB362,953,000). 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 RMB430,040,000 (31 December 2016: RMB217,953,000) 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 of approximately RMB4,500,000 (31 December 2016: RMB7,250,000) was recognised as at 30 June 2017.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
THE GROUP		
Trade receivables	424,912	370,025
Less: Allowance for doubtful debts	(12,525)	(19,409)
	412,387	350,616
Bill receivables	67,688	70,693
	480,075	421,309
Other receivables, prepayments and deposits	20,498	10,065
Less: Allowance for doubtful debts	(129)	(129)
	500,444	431,245
Interest receivables	1,402	2,135
Advance payment to suppliers	2,299	2,633
Other tax recoverable	6,585	824
Total trade and other receivables	510,730	436,837

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

14. TRADE AND OTHER RECEIVABLES (Continued)

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. 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
THE GROUP		
0 to 60 days	**298,421**	250,654
61 days to 180 days	**56,252**	70,750
181 days to 1 year	**40,225**	21,085
1 year to 2 years	**10,049**	8,127
Over 2 years	**7,440**	–
	412,387	350,616

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

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
THE GROUP		
0 to 60 days	**24,632**	30,670
61 days to 180 days	**32,240**	31,642
181 days to 1 year	**10,816**	8,381
	67,688	70,693

For the six months ended 30 June 2017

15. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
THE GROUP		
Trade payables	485,561	416,914
Payroll and welfare payables	7,046	6,718
Advance from customers	8,967	12,798
Other tax payables	787	2,154
Marketing service fee payables	15,935	25,812
Interest payables	367	711
Deposits received from distributors	15,803	13,865
Accrued purchase	14,352	23,302
Other payables and accrued charges	4,852	2,953
	553,670	505,227
Less: Amounts due after one year shown under long-term liabilities *(Note)*	(14,352)	(23,302)
	539,318	481,925

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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
THE GROUP		
0 to 90 days	452,254	415,591
91 days to 180 days	30,268	13
181 days to 1 year	2,909	1,235
Over 1 year	130	75
	485,561	416,914

For the six months ended 30 June 2017

16. RELATED PARTIES DISCLOSURES

THE GROUP

(a) The Group had the following material transactions with its related parties during the reporting period:

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Purchase of finished goods from Covex, S.A. *(Note a)*	**2,943**	–
Interest income on loan from Q3 Medical Devices Limited *(Note b)*	**–**	362
Interest income on promissory note from NovaBay	**–**	201

Notes:

(a) Covex, S.A. is controlled and beneficially owned by Mr. Li from 23 December 2016.

(b) Q3 Medical Devices Limited was an associate of the Group and disposed to Mr. Li at 23 December 2016. It becomes an associate of the company controlled and beneficially owned by Mr. Li from 23 December 2016.

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Name of the related parties		
Amounts due from related parties		
Mr. Li – current *(Note a)*	**36,085**	39,775
Pioneer Medident (SE Asia) Pte. Ltd. – current *(Note b)*	**–**	50
Mr. Li – non-current *(Note a)*	**104,913**	117,419
	140,998	157,224
Amounts due to related parties – current		
Mr. Li *(Note c)*	**–**	62
Covex, S.A. *(Note d)*	**331**	2,765
	331	2,827

16. RELATED PARTIES DISCLOSURES (Continued)

THE GROUP (Continued)

(b) (Continued)

Notes:

(a) The amounts carry a fixed interest of 4.75% per annum which is due according to the payment schedule. The amounts are secured by the share charge of Pioneer Pharma (Singapore) Pte. Ltd., a company controlled and beneficially owned by Mr. Li, for the payment obligation of Mr. Li. Mr. Li has undertaken to Pioneer Pharma (Hong Kong) Co., Limited ("**Pioneer HK**"), a wholly-owned subsidiary of the Company, and the Company that he will settle the amount due to Pioneer HK not less than 20% of any dividend payments in respect of the shares that he and Pioneer BVI may receive from the Company during the 5-year payment schedule.

(b) Pioneer Medident (SE Asia) Pte. Ltd. is controlled and beneficially owned by Mr. Li from 23 December 2016. Amounts are non-trade nature, unsecured and repayable on demand.

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

(d) Amounts are trade nature, unsecured, interest-free and repayable within the credit term of 150 days.

(c) ***Compensation of key management personnel***

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

	For the six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Short-term employee benefits	**4,785**	3,073
Post employee benefits	**419**	261
	5,204	3,334

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

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17. BANK BORROWINGS

During the current interim period, the Group obtained a new bank loan to finance its business operation of approximately RMB40,000,000 (30 June 2016: RMB166,243,000). The amounts are due within one year. Such borrowing 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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Pledge of assets		
Trade receivables	424,058	363,051
Pledged bank deposits for bank borrowings	–	50,000
Pledged bank deposits for letter of credit	35,161	23,120
	459,219	436,171

As at 30 June 2017, the effective interest rate on the Group's fixed-rate borrowing is 4.79% (31 December 2016: ranging from 1.81% to 4.79%).

18. PROVISION

	Provision for sales return RMB'000
THE GROUP	
COST	
At 1 January 2016	1,870
Additions	249
Utilisations	(316)
At 30 June 2016	1,803
Additions	242
Utilisations	(159)
At 31 December 2016 and 1 January 2017	1,886
Additions	238
Utilisations	(143)
At 30 June 2017 (Unaudited)	1,981

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

For the six months ended 30 June 2017

19. SHARE CAPITAL

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised			
At 1 January 2016, 31 December 2016 and 30 June 2017	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2016, 31 December 2016 and 30 June 2017	1,333,334,000	13,333,340	82,096

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

As at 30 June 2017, 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.