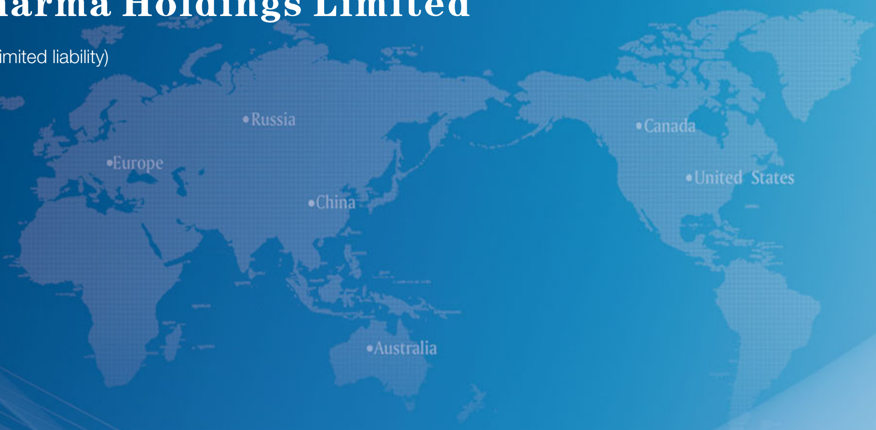
中国先锋医药控股有限公司
China Pioneer Pharma Holdings Limited

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



先機為重 PIONEERING
鋒行天下 SUCCESS

INTERIM REPORT 2018

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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

No. 15, Lane 88 Wuwei Road
Putuo District
Shanghai
PRC
Tel: (86) 021 50498986

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
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
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
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

www.pioneer-pharma.com

Financial Highlights

- Revenue of the Group for the six months ended 30 June 2018 was RMB951.6 million, which represents a 7.4% decrease compared to RMB1,028.2 million for the same period last year.
- Gross profit of the Group for the six months ended 30 June 2018 was RMB331.7 million, which represents a 1.5% increase compared to RMB326.8 million for the same period last year.
- Net profit of the Group for the six months ended 30 June 2018 was RMB120.9 million, which represents a 15.2% decrease compared to RMB142.7 million for the same period last year.
- Basic earnings per share of the Company was RMB0.096 for the six months ended 30 June 2018, which represents a 11.9% decrease compared to RMB0.109 for the same period last year.

	For the six months ended 30 June				
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)	2014 RMB'000 (unaudited)
Operating results					
Revenue	**951,622**	1,028,182	806,029	803,243	738,787
Gross profit	**331,703**	326,823	251,310	252,725	241,255
Profit before income tax	**133,822**	157,030	116,563	182,447	158,090
Profit for the period	**120,943**	142,674	100,015	160,836	136,030
Profit for the period, all attributable to the owners of the Company	**120,682**	141,348	98,807	161,964	136,656

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 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 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 a requirement 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 major suppliers based in Europe and North America. These products offset unmet medical needs because of their superior clinical profiles, improved quality or formulations, or the lack of competition from similar products in the China market.

For the six months ended 30 June 2018 (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 100,000 pharmacies across all provinces, municipalities and autonomous regions in China.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Since 2018, China's medical reform has entered into a critical stage, and the pharmaceutical industry is undergoing profound changes driven by the policy. Looking back on the overall situation of the industry, although existing pressures from medical insurance cost controls, reduction in drug price in tender processes has continued, the demand for the industry is still huge and growing steadily under the background of the consumption upgrades and the acceleration of the aging of the population. A number of reform measures related to the pharmaceutical sector have been steadily pushed forward, including the acceleration of the review and approval of high quality products, the successive issue of the new provincial drug reimbursement catalogue in several provinces, the introduction of several detailed regulations relating to the "Consistent Evaluation of Generic Drugs", the full implementation of the "Two-Invoice System", which continuously promote the structural adjustments of the industry. Meanwhile, as a result of the institutional reform carried out by the State, three new institutions namely the National Medical Security Administration, the National Health Commission and China Drug Administration were established, which have a great impact on the direction of medical reform, the future development of the pharmaceutical industry and the competitive environment of the pharmaceutical market. The new institutions will enhance the overall and executive ability of medical insurance management, and also play a greater role in guiding the underlying value of medical consumption behavior.

Specifically for the Group, the government's support and preferential policies on innovative drugs and medical devices, such as optimization of the approval process and accreditation of international clinical trial data, will help to expand the range of products for the Group's selection. Along with the more refined and structured measures of medical insurance cost control, drugs and medical devices conforming to the values of medical insurance, and increasing the efficiency of medical insurance funds application, will compete favourably in the market. The Group will leverage on its advantages in product quality and brand image, and strengthen its academic promotion, so as to seize opportunities to further develop its business amidst a changing and challenging market environment.

For the Reporting Period, through the Group's active efforts on organizing the market potential and promotion strategies of products, as well as increasing the frequency and depth of academic promotion activities, most of the products sold via the provision of comprehensive marketing, promotion and channel management services still achieved pleasing results. As disclosed in the Company's announcement dated 28 December 2017, transitional arrangements relating to the sale of Alcon's pharmaceutical products, which were sold by the Group via the provision of co-promotion and channel management services, have been under implementation for the year ending 31 December 2018, which has had a great impact on the overall performance of the Group.

For the Reporting Period, the Group's revenue decreased by 7.4% compared to the same period last year to RMB951.6 million. Net profit decreased by 15.2% compared to the same period last year to RMB120.9 million. Revenue generated from Alcon's pharmaceutical products sold via the provision of co-promotion and channel management services decreased by 17.3% compared to the same period last year to RMB498.2 million, representing 52.4% of the Group's revenue for the Reporting Period. Gross profit decreased by 30.0% compared to the same period last year to RMB43.1 million, representing 13.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 11.8% compared to the same period last year to RMB404.7 million, representing 42.5% of the Group's revenue for the Reporting Period. Gross profit increased by 12.2% compared to the same period last year to RMB260.1 million, representing 78.4% of the Group's gross profit for the Reporting Period.

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 23.4% compared to the same period last year to RMB48.8 million, representing 5.1% of the Group's revenue for the Reporting Period. Gross profit decreased by 14.7% compared to the same period last year to RMB28.5 million, representing 8.6% of the Group's gross profit for the Reporting Period.

1 Product Development

As of 30 June 2018, the Group had a product portfolio of pharmaceutical products (mostly being prescription products) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, 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	2018 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2017 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	404,688	42.5	361,826	35.2
Medical Devices	48,757	5.1	63,616	6.2
Gross Profit:				
Pharmaceutical Products	260,146	78.4	231,902	71.0
Medical Devices	28,462	8.6	33,353	10.2

During the Reporting Period, as a result of many factors such as the trend towards refined medical insurance cost control, the increasingly stringent management of drug's clinical pathway and the control of the proportion of drugs in public medical institutions, although drug price reduction in tender processes and drug consumption limitations in medical institutions have continued, the trend of structural differentiation for clinical use of drugs was more obvious. The Group adopted a sensible promotion strategy, highlighting the products' superior quality and clear clinical effectiveness, resulting in the Group securing a stable market position for its products. The Group's business segment of provision of comprehensive marketing, promotion and channel management services for pharmaceutical products maintained a steady development. During the Reporting Period, revenue generated from this segment increased by 11.8% compared to the same period last year to RMB404.7 million, representing 42.5% of the Group's revenue for the Reporting Period. Gross profit increased by 12.2% compared to the same period last year to RMB260.1 million, representing 78.4% 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 RMB81.9 million, representing an increase of 17.6% compared to the same period last year. Through proactively organizing and participating in various academic conferences, the Group seized the opportunities for increasing brand publicity, and refined its strategy of academic promotion, so as to expand market coverage through accelerating its penetration into more hospitals and small-sized medical institutions, as well as increasing the sales of Difene at each target hospital. With the constant expansion of the coverage of medical institutions, the superior quality of Difene has gained recognition from more doctors and patients, and the brand recognition of the product has also been further strengthened. 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 sales of the 10-pack specification. Benefiting from the Group's overall layout in the past year, as well as the official execution of new tender results in more provinces, 20-pack specification has become a significant supplement to the market, achieving an increasing contribution to the Group's revenue. Through increased marketing activities, such as education programmes for doctors and patients on the product, the Group will strategically further expand the market coverage of 20-pack specification, so as to increase its sales volume. Furthermore, since 2018, the two specifications of Difene successively won favourably priced bids in more provinces, laying a solid foundation for the future development of the product.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB158.1 million, representing an increase of 63.8% compared to the same period last year. As one of the Group's best-selling products, leveraging the advantages in the product's quality, sound market layout and sensible promotion strategy, Fluxum has maintained rapid growth over the past few years. During the Reporting Period, the Group constantly expanded Fluxum's brand recognition through in-depth exploration on the characteristics of product differentiation, strict implementation of the strategy of professional academic promotion, as well as actively expanding and deepening the network of clinical experts. Fluxum was listed as an imported low molecular weight heparin product in the new national drug reimbursement catalogue. Accordingly, to fully capture this opportunity for market expansion, the Group has entered into a number of new markets through sensible bidding strategies, and increased its market share by closely following and effectively participating in clinical promotions. Furthermore, with more doctors from the relevant departments paying attention to the prevention of venous thrombosis, Fluxum not only continued to maintain its brand advantage in the field of traditional surgery, but also extended the scope of its application to other hospital departments, such as internal medicine. Due to its leading market position among similar products and more improved market layout, as well as the increasing recognition of anticoagulation in more hospitals and departments, 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 RMB53.6 million, representing a decrease of 44.0% compared to the same period last year. Polimod is the originator of pidotimod. It is a synthetic oral immune stimulant that works by stimulating and regulating cell-mediated immune response, and is applied to patients with immune dysfunction, such as respiratory tract infections, otolaryngology infections, urinary tract infections and gynaecological infections. The Group's rights to market, promote and sell Polimod were extended from eight provinces to the whole territory of China in March 2016, thereby improving the market potential of the product significantly. At the beginning of 2018, as the trial data on their safety and effectiveness were out-dated, all the pidotimod products sold in China were challenged by certain we-media, causing confusion to the physicians and patients. Thereafter, the China Food and Drug Administration ("**CFDA**") required for the revision of drug instructions of all the pidotimod products, which identified that it could be used for chronic or recurrent respiratory tract infections and urinary tract infections of children over three years old. CFDA also required that the clinical trial of effectiveness for the Pidotimod products should be completed within three years. The sales of Polimod in certain areas, especially in markets where physicians and patients are not very familiar with the product, decreased significantly due to the impact of this event. In response, the Group has taken a number of measures, such as inviting medical experts from the product's supplier to explain to them, in detail, the mechanism and proof of evidence-based medicine of Polimod in China, as well as cooperating with marketing partners in delivering product information to physicians in a professional manner. Through a series of measures, the sales of Polimod appears to have stabilized and its performance is now trending upwards. Moreover, the supplier of the product has reported the plan of clinical trial of its effectiveness to CFDA, and will commence the trial immediately once approved. Based on thousands of clinical research data of Polimod before and after it was launched in the market, the Group firmly believes that with the advancement of clinical effectiveness trial, Polimod will eliminate the concerns of physicians and patients with scientific data and return to the track of rapid development.

The business segment of other drugs of the Group has continued last year's healthy trend and achieved further development. For the Reporting Period, the Group's revenue generated from sales of these products was RMB111.1 million, representing an increase of 11.2% 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 and sensible bidding strategies, successfully entered a number of important new markets and made significant contribution to the Group's business development. Meanwhile, through the international academic conference platform, the Group endeavors to promote physicians' awareness of its therapeutic status in the field of myocardial protection, particularly in the field of myocardial damage. Leveraging the international academic status of Neoton, the Group organizes promotional activities, strengthening the recognition of the product among doctors and patients and increasing its 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, with the inclusion of the product in the new, national drug reimbursement catalogue, the Group strengthened its marketing and promotion activities targeted at hospitals and departments covered by its network, and endeavoured to grow its share in the gynecology therapeutic market. Given the competitive pharmaceutical market and constant changes of polices, the Group will take full advantage of the competitive edge and development opportunities of these products, so as to continuously increase their contribution to the Group's revenue.

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 23.4% compared to the same period last year to RMB48.8 million, representing 5.1% of the Group's revenue for the Reporting Period. Gross profit decreased by 14.7% compared to the same period last year to RMB28.5 million, representing 8.6% of the Group's gross profit for the Reporting Period. The Group's overall performance of the medical devices segment was still affected by the factors such as the decrease in bidding prices of some medical device consumables and market competition. However, based on the features of its products, the Group reviewed its promotion strategy, and accelerated the marketing campaigns of products launched for a short time, so as to lay the foundation for the future business development of medical device sector. Specifically, during the Reporting Period, the sales of ophthalmic surgical equipment and consumables and dental equipment and consumables still achieved solid growth. The Group has completed its work on market access in some regions for the Balanced Knee System Products (products in the therapeutic field of knee-joint), through which the Group has obtained exclusive distribution rights in China last year, and endeavor to implement the details of product's promotion and sales. Moreover, the sales of NeutroPhase (a wound cleanser) has also appeared a rapid growth trend following the adjustment of promotion direction and strategies. The Group will gradually enhance the market position of medical devices products, strengthen its promotion activities, and improve the contribution of this business segment to the Group's revenue.

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

	For the six months ended 30 June			
Category	2018 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2017 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	498,177	52.4	602,740	58.6
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	43,095	13.0	61,568	18.8

The Group has been providing co-promotion and channel management services for all of Alcon's ophthalmic pharmaceutical products in China for over 20 years, and the current cooperation agreement entered into between the two parties is due to expire on 31 December 2018. As disclosed in the Company's announcement dated 28 December 2017, the Group entered into a transitional agreement with Alcon and Beijing Novartis Pharmaceutical Co., Ltd. ("**Beijing Novartis**") in December 2017, pursuant to which Alcon Pharmaceuticals Ltd. ("**Alcon**") and Beijing Novartis agreed to continue to supply an agreed minimum value of Alcon's ophthalmic pharmaceutical products ("**Alcon Products**") to the Group in 2018, and the total value (i.e. the total cost) of the Alcon Products which the Group may sell in 2018 will be no less than RMB617 million (net of tax). Subject to terms of the transitional agreement, if the gross profit margin of the Group for the sale of the Alcon Products in 2018 is less than 8%, Alcon and/or Beijing Novartis will compensate the Group with the effect of making up the shortfall so that the Group's gross profit margin for the Alcon Products will reach 8%. In addition to the arrangements under the transitional agreement, the Group continues to be in talks with Alcon regarding other possible future cooperation arrangements.

Since 2018, in accordance with the relevant arrangement of the transitional agreement, the Group and Beijing Novartis have gradually carried out the market transition in respect to Alcon's ophthalmic pharmaceutical products. For the Reporting Period, the Group's revenue generated from this segment decreased by 17.3% compared to the same period last year to RMB498.2 million, representing 52.4% of the Group's revenue for the Reporting Period. Gross profit decreased by 30.0% compared to the same period last year to RMB43.1 million, representing 13.0% of the Group's gross profit for the Reporting Period.

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 existing products referred to 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 takes into consideration factors such as clinical effectiveness, competitive environment, product registration and regulatory regime and reputation of suppliers.

The Group has several products in respect of which it is applying or ready to apply for registration with China Drug Administration. Specifically, Bioequivalence study has been finished smoothly for Mirtazapine Orodispersible Tablets (produced by Ethypharm of France, mainly used for the treatment of depressive episodes). Imported Drug License (IDL) filing is under preparation and it is expected to be submitted to China Drug Administration in the second half of 2018. The Group is also currently preparing the application documents for Intacs® Corneal Implants (produced by AJL of Spain, used for reduction or elimination of myopia caused by keratoconus) and such documents are expected to be submitted to China Drug Administration in the second half of 2018.

In 2018, in accordance with the requirement of "Reform Opinions on Deepening the Review and Approval System and Encouraging the Innovation of Medical Products" issued by General Office of the State Council, several reform measures in respect of Chinese pharmaceuticals and medical devices approval policies were pushed forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launched process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

2 Marketing Network Development

In 2018, the "Two-Invoice System" policy has been fully implemented in all provinces of the country, as the sole importer of overseas medical products in China, the Group is considered as the manufacturer of these imported medical products under the "Two-Invoice System". Since last year, the Group's business system has also been optimized and improved. During the Reporting Period, the Group has continually refined the network of distributors, and consolidated product distribution channels to meet the requirements of "Two-Invoice System". Meanwhile, it also helps to enhance the Group's operational efficiency and prevent operational risk.

The Group's marketing and promotion model comprises both in-house and third-party marketing teams. During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and conduct products' promotion and sales work. The Group has established a sales and product manager team for each product business unit, to manage and support their third-party promotion partners. In the environment of ever-changing policies and violent market competition of pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responsiveness, as well as effective and professional product promotion activities. During the Reporting Period, with the more attention paid by the Group to the academic training of the in-house marketing team, the Group strengthened the frequency and depth of the academic promotion activities involved by the internal marketing team, so as to raise the core driving force for the product promotion. According to the market situation, the Group has also increased its efforts in optimizing the network structure of the third-party promotion partners, and improved the understanding and knowledge for the products of the third-party promotion partners, including providing further large-scale and normalized training, and assisting them in providing doctors with clinical solutions related to the products. Through the close collaboration between in-house marketing team and third-party promotion partners, the Group shares the pharmaceutical policy and market information all over the country, and improved the communication mechanism and platform with third-party promotion partners so as to improve the operation efficiency and continuously drive the Group's products development. During the Reporting Period, the development of the Group's marketing network led to significant improvement to its market coverage. For instance, number of hospitals and medical institutions using Difene has increased by 2,154, the number of hospitals using Fluxum has increased by 251. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's development.

3 Future and Outlook

With the deepening of China's medical reform, the pharmaceutical industry is gradually forming a new ecosystem. As a result of profound changes occurred in different areas such as traditional research and development, review and approval, as well as pricing systems, the pharmaceutical market is facing a significant structural adjustment. In general, the internal polarizing development of the pharmaceutical industry in the PRC appears to be a long-term trend. There will be increasing development opportunities for products satisfying therapeutic needs and with clear clinical value. The Group will continuously focus on the introducing and developing new products, enhancing marketing and promotion capabilities, expanding market coverage through win-win cooperation, enriching the industrial chain through mergers and acquisitions, responding proactively amidst the environment full of challenges and changes in the PRC, and forging vigorously ahead, so as to achieve the new blueprint of the Group's future development.

FINANCIAL REVIEW

Revenue

The Group's revenue in the Reporting Period was RMB951.6 million, representing a 7.4% decrease from RMB1,028.2 million for the six months ended 30 June 2017. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB404.7 million, representing a 11.8% increase from RMB361.8 million for the six months ended 30 June 2017, primarily due to the Group's continual efforts to promote and expand the coverage of these products through its marketing network. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB48.8 million, representing a 23.4% decrease from RMB63.6 million for the six months ended 30 June 2017, primarily due to a decrease in sales volume and price of certain medical device consumables resulted from market competition. Revenue generated from products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB498.2 million, representing a 17.3% decrease from RMB602.7 million for the six months ended 30 June 2017, primarily due to the gradual implementation of the transitional arrangements entered into between the Group, Alcon and Beijing Novartis in respect of the Alcon Products during the Reporting Period.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB619.9 million, representing a 11.6% decrease from RMB701.4 million for the six months ended 30 June 2017, primarily due to a decrease in sales of the Alcon Products. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB144.5 million, representing a 11.3% increase from RMB129.9 million for the six months ended 30 June 2017. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB20.3 million, representing a 32.9% decrease from RMB30.3 million for the six months ended 30 June 2017. Cost of sales for products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB455.1 million, representing a 15.9% decrease from RMB541.2 million for the six months ended 30 June 2017.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB331.7 million, representing a 1.5% increase from RMB326.8 million for the six months ended 30 June 2017. The Group's average gross profit margin in the Reporting Period was 34.9%, representing an increase from 31.8% for the six months ended 30 June 2017. 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 64.3%, representing an increase from 64.1% for the six months ended 30 June 2017, primarily because a higher proportion of the Group's revenue during the Reporting Period were derived from the sales of certain products which generally generate higher gross profit margins. 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 58.4%, representing an increase from 52.4% for the six months ended 30 June 2017, primarily because a higher proportion of the Group's revenue during the Reporting Period were derived from the sales of medical devices products which generally generate higher 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 8.7%, representing a decrease from 10.2% for the six months ended 30 June 2017, 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 RMB12.6 million, representing a 59.0% decrease from RMB30.7 million for the six months ended 30 June 2017, primarily due to a decrease in the amount of government grants received by the Group.

Distribution and selling expenses

The Group's distribution and selling expenses in the Reporting Period were RMB175.3 million, representing a 14.7% increase from RMB152.9 million for the six months ended 30 June 2017, primarily due to an increase in the Group's marketing and promotion activities for expanding the market share of certain products, as well as an increase in its marketing and promotion expenses as a result of an increase in sales price of some products in certain regions. Distribution and sale expenses in the Reporting Period were 18.4% of the revenue, representing an increase from 14.9% for the six months ended 30 June 2017.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB34.0 million, representing a 8.2% increase from RMB31.4 million for the six months ended 30 June 2017, primarily due to the increased amortisation of fixed assets and increased expenses on employee training. Administrative expenses in the Reporting Period were 3.6% of the revenue, representing an increase from 3.1% for the six months ended 30 June 2017.

Finance costs

The Group's finance costs in the Reporting Period were RMB0.7 million, representing a 46.0% decrease from RMB1.3 million for the six months ended 30 June 2017, primarily due to a decrease in the amount of bank loans which resulted in a lower overall interest expense.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB12.9 million, representing a 10.3% decrease from RMB14.4 million for the six months ended 30 June 2017. The Group's effective income tax rate for the six months ended 30 June 2017 and the Reporting Period was 9.1% and 9.6%, 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%.

Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB120.9 million, representing a 15.2% decrease from RMB142.7 million for the six months ended 30 June 2017. The Group's net profit margin decreased from 13.9% for the six months ended 30 June 2017 to 12.7% for the Reporting Period.

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 2018 were RMB155.8 million, decreasing from RMB226.2 million as of 31 December 2017, primarily due to an increase in inventories from suppliers whose names were changed and a change of payment method for certain suppliers.

Inventories

The Group's inventory balance as of 30 June 2018 was RMB502.9 million, representing a 19.3% decrease from RMB623.4 million as of 31 December 2017, primarily due to the higher efficiency of inventory turnover as a result of the Group's improved inventory management, as well as a decrease of inventories while having a decline in the sales of the Alcon Products.

Trade and other receivables

The Group's trade and other receivables as of 30 June 2018 were RMB448.4 million, representing a 11.9% decrease from RMB509.2 million as of 31 December 2017. The Group's trade receivables turnover as of 30 June 2018 was 77.0 days, representing an increase from 66.6 days as of 31 December 2017, primarily due to a decrease in the Group's revenue.

Trade and other payables

The Group's trade and other payables as of 30 June 2018 were RMB336.8 million, representing a 46.2% decrease from RMB626.4 million as of 31 December 2017. The Group's trade payables turnover as of 30 June 2018 was 126.4 days, representing an increase from 125.6 days as of 31 December 2017, primarily due to an increase in the proportion of products purchased with longer payment term for the Reporting Period.

Bank borrowings and gearing ratio

The Group had no bank borrowings as of 30 June 2018 as compared to RMB29.0 million as of 31 December 2017. As of 31 December 2017, bank borrowings of RMB29.0 million were secured by the pledge of the Group's trade receivables. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 1.6% as of 31 December 2017.

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 2018			
Bank borrowings	–	–	–
Trade payables	**287,398**	**271**	**287,669**
As of 30 June 2017			
Bank borrowings	40,000	–	40,000
Trade payables	485,431	130	485,561

Significant investment

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 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.

As of 30 June 2018, the Group held a total of 5,212,747 ordinary shares of NovaBay, representing approximately 30.5% 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 financial 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 2018, the Group had a total of 308 employees. For the Reporting Period, staff costs of the Group were RMB26.2 million as compared to RMB28.3 million for the six months ended 30 June 2017. 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 2018. 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 the Model Code contained in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the directors of the Company (the "**Directors**") and each of the Directors has confirmed that he has complied with the required standard set out in the Model Code throughout the six months ended 30 June 2018.

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 2018, the IPO Proceeds have been fully utilised in accordance with the purposes set out in the aforementioned announcement of the Company dated 9 May 2016.

AUDIT COMMITTEE

The board of directors (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, 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 2018 have been reviewed by the Audit Committee.

SHARE AWARD SCHEME

The Company adopted a share award scheme (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 "**Adoption Date**"). 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 2018.

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

The Company had bought back the following Shares on the Stock Exchange during the six months ended 30 June 2018 with details as set out below:

Month of Purchase	Number of Shares Purchased	Highest Price Paid per Share HK$	Lowest Price Paid per Share HK$	Total Price Paid HK$
January 2018	6,400,000	2.66	2.34	16,270,870
February 2018	1,500,000	2.58	2.48	3,828,570
March 2018	11,000,000	2.62	2.37	27,655,180
April 2018	6,335,000	2.85	2.49	17,173,410
June 2018	607,000	2.24	2.10	1,324,150
Total	25,842,000			66,252,180

All of the Shares bought back during the six months ended 30 June 2018 were subsequently cancelled or will be cancelled. The Board considers that the value of the Shares in the capital market was undervalued. The market value of the Shares was far below their intrinsic value, taking into account the Group's sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share buy-backs and subsequent cancellation of the repurchased Shares can improve the return to the Shareholders. Save as disclosed above and the purchases of the Shares by the trustee pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, 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 2018, 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)]	858,392,000 (L)	66.20%
	Interest of spouse[(2)]	1,403,000 (L)	0.11%
	Beneficial owner	34,714,000 (L)	2.68%
Zhu Mengjun	Beneficial owner	1,100,000 (L)[(3)]	0.08%
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 858,392,000 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 1,100,000 Shares, all of which were awarded and granted to Mr. Zhu Mengjun under the Share Award Scheme on 9 October 2015.

4. Mr. Wang Yiping is 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.

Save as disclosed above, as of 30 June 2018, 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 2018 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 or 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 2018, 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]	858,392,000 (L)	66.20%
	Interest of spouse[2]	34,714,000 (L)	2.68%
	Beneficial owner	1,403,000 (L)	0.11%
Tian Tian Limited[5]	Interest of controlled corporation[3]	858,392,000 (L)	66.20%
UBS Trustees (BVI) Limited	Trustee[4]	858,392,000 (L)	66.20%
Pioneer Pharma (BVI) Co., Ltd. [5]	Beneficial owner	858,392,000 (L)	66.20%

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 858,392,000 Shares held under the discretionary trust.

2. Such 34,714,000 Shares are held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Accordingly, Ms. Wu Qian is deemed to be interested in such 34,714,000 Shares.

3. Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is deemed to be interested in 858,392,000 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 858,392,000 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 2018, 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 does not recommend any interim dividend for the six months ended 30 June 2018.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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 22 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2018 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
24 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Revenue	3	**951,622**	1,028,182
Cost of sales		**(619,919)**	(701,359)
Gross profit		**331,703**	326,823
Other income	4	**12,570**	30,664
Other gains and losses	5	**7,547**	(4,364)
Distribution and selling expenses		**(175,338)**	(152,872)
Administrative expenses		**(34,030)**	(31,444)
Finance costs		**(678)**	(1,255)
Share of loss of an associate		**(7,952)**	(10,522)
Profit before tax		**133,822**	157,030
Income tax expense	6	**(12,879)**	(14,356)
Profit for the period	7	**120,943**	142,674
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
– Fair value gain on investment in an equity instrument at fair value through other comprehensive income		**980**	–
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**1,754**	6,184
– Share of exchange difference of an associate		**1,430**	(1,970)
Other comprehensive income for the period		**4,164**	4,214
Total comprehensive income for the period		**125,107**	146,888
Profit for the period attributable to:			
Owners of the Company		**120,682**	141,348
Non-controlling interests		**261**	1,326
		120,943	142,674
Total comprehensive income for the period attributable to:			
Owners of the Company		**124,846**	145,570
Non-controlling interests		**261**	1,318
		125,107	146,888
		RMB yuan	RMB yuan
Earnings per share			
Basic and diluted	9	**0.10**	0.11

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	*10*	**49,091**	52,336
Prepaid lease payments		**2,089**	2,115
Intangible assets		**14,708**	15,187
Interest in an associate	*11*	**79,119**	72,053
Other investment	*12*	**–**	20,000
Equity instrument at fair value through other comprehensive income	*12*	**22,500**	–
Finance lease receivables		**10,334**	21,589
Deferred tax assets	*13*	**7,431**	5,373
Amount due from a related party	*16*	**117,518**	115,554
		302,790	304,207
Current Assets			
Inventories		**502,885**	623,388
Finance lease receivables		**49,756**	46,197
Trade and other receivables	*14*	**448,366**	509,165
Tax recoverable		**185**	16
Prepaid lease payments		**52**	52
Pledged bank deposits		**143,830**	74,867
Certificate of deposits		**20,000**	50,000
Bank balances and cash		**155,791**	226,154
		1,320,865	1,529,839

At 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current Liabilities			
Trade and other payables	15	336,825	626,439
Tax liabilities		23,206	16,446
Bank borrowing	17	–	29,000
Provision	18	1,886	1,886
Contract liabilities		26,762	–
Obligations under finance leases		6,653	5,336
		395,332	679,107
Net Current Assets		925,533	850,732
Total Assets less Current Liabilities		1,228,323	1,154,939
Capital and Reserves			
Share capital	19	79,791	81,391
Reserves		1,137,960	1,058,732
Equity attributable to owners of the Company		1,217,751	1,140,123
Non-controlling interests		1,203	942
Total Equity		1,218,954	1,141,065
Non-current liabilities			
Long-term liabilities	15	6,483	9,060
Liabilities for Share Award Scheme		24	20
Obligations under finance leases		2,862	4,794
		1,228,323	1,154,939

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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	Investment revaluation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017 (Audited)	82,096	956,993	(50,646)	(6,526)	12,450	(150,398)	(18,510)	285,400	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	–	–	–	–	–	–	–	(137,333)	(137,333)	–	(137,333)
At 30 June 2017 (Unaudited)	82,096	956,993	(50,646)	(2,304)	12,450	(150,398)	(18,510)	289,415	1,119,096	1,010	1,120,106
At 31 December 2017 (Audited)	**81,391**	**932,343**	**(52,292)**	**1,513**	**12,643**	**(165,803)**	**(18,510)**	**348,838**	**1,140,123**	**942**	**1,141,065**
Adjustments (see *Note 2*)	**–**	**–**	**–**	**–**	**–**	**–**	**20,030**	**(12,692)**	**7,338**	**–**	**7,338**
At 1 January 2018 (restated)	**81,391**	**932,343**	**(52,292)**	**1,513**	**12,643**	**(165,803)**	**1,520**	**336,146**	**1,147,461**	**942**	**1,148,403**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**120,682**	**120,682**	**261**	**120,943**
Other comprehensive income	**–**	**–**	**–**	**3,184**	**–**	**–**	**980**	**–**	**4,164**	**–**	**4,164**
Total comprehensive income for the period	**–**	**–**	**–**	**3,184**	**–**	**–**	**980**	**120,682**	**124,846**	**261**	**125,107**
Shares repurchased and cancelled (*Note 19*)	**(1,600)**	**(51,085)**	**–**	**–**	**–**	**–**	**–**	**–**	**(52,685)**	**–**	**(52,685)**
Repurchase of ordinary shares under Share Award Scheme	**–**	**–**	**–**	**–**	**–**	**(1,871)**	**–**	**–**	**(1,871)**	**–**	**(1,871)**
At 30 June 2018 (Unaudited)	**79,791**	**881,258**	**(52,292)**	**4,697**	**12,643**	**(167,674)**	**2,500**	**456,828**	**1,217,751**	**1,203**	**1,218,954**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**51,478**	132,250
INVESTING ACTIVITIES		
Interest received	**825**	2,293
Purchases of property, plant and equipment	**(108)**	(58)
Purchases of intangible assets	**(299)**	(230)
Placement of pledged bank deposits	**(230,212)**	(35,161)
Withdrawal of pledged bank deposits	**161,249**	73,120
Withdrawal of certificate of deposits	**30,000**	–
Repayment from a related party	**750**	19,334
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(37,795)**	59,298
FINANCING ACTIVITIES		
New bank borrowing raised	**–**	40,000
Repayments of bank borrowings	**(29,000)**	(76,251)
Dividends paid	**–**	(137,333)
Payment for repurchase of ordinary shares under the Share Award Scheme	**(1,871)**	–
Shares repurchased and cancelled	**(52,685)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(83,556)**	(173,584)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(69,873)**	17,964
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**226,154**	309,640
Effect of foreign exchange rate changes	**(490)**	(815)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**155,791**	326,789

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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**") since 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 Company is an investment holding company. 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.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration Transactions
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major source:

- Sales of pharmaceutical products and medical devices

Revenue from sales of pharmaceutical products and medical devices is recognised at a point in time when the customer obtains control of the distinct goods (customer's acceptance has been obtained).

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

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

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.1 *Key changes in accounting policies resulting from application of IFRS 15 (Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.2 *Summary of effects arising from initial application of IFRS 15*

Upon application of IFRS 15, revenue from sales of pharmaceutical products and medical devices is recognised at a point in time when the customer obtains control of the distinct goods. The period between payment and transfer of the pharmaceutical products and medical devices is generally less than one year, no material significant financing component is identified.

The following table summarises the impact of transition to IFRS 15 on accumulated profits at 1 January 2018.

	Note	**Impact of adopting IFRS 15 at 1 January 2018 RMB'000**
Accumulated profits		
Decrease in share of post – acquisition loss of an associate	*(a)*	**5,818**
Impact at 1 January 2018		**5,818**

Note:

(a) The impact is arising from the share of the results of NovaBay Pharmaceuticals, Inc. ("**NovaBay**"), an associate of the Group listed on the New York Stock Exchange ("**NYSE**") upon initial application of IFRS 15 by the associate under equity method. Upon application of IFRS 15, NovaBay recognised revenue earlier upon transfer of control of the goods to its distributors. Multiple distinct performance obligations have been identified under IFRS 15. Deferred revenue was allocated to different performance obligations and recognised when the relevant performance obligation is satisfied. These changes in accounting policies resulted in an increase in the carrying amount of interest in an associate of RMB5,818,000 with corresponding adjustment to accumulated profits of the Group.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.2 *Summary of effects arising from initial application of IFRS 15 (Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	**Carrying amounts under IFRS 15 at 1 January 2018 RMB'000**
Non-current asset					
Interest in an associate	*(a)*	72,053	–	5,818	**77,871**
Current liabilities					
Trade and other payables	*(b)*	626,439	(8,637)	–	**617,802**
Contract liabilities	*(b)*	–	8,637	–	**8,637**

Notes:

(a) The impact is arising from the share of the results of NovaBay, an associate of the Group listed on the NYSE upon initial application of IFRS 15 by the associate under equity method. Upon application of IFRS 15, NovaBay recognised revenue earlier upon transfer of control of the goods to its distributors. Multiple distinct performance obligations have been identified under IFRS 15. Deferred revenue was allocated to different performance obligations and recognised when the relevant performance obligation is satisfied. These changes in accounting policies resulted in an increase in the carrying amount of interest in an associate of RMB5,818,000 with corresponding adjustment to accumulated profits of the Group.

(b) As at 1 January 2018, advance from customers of approximately RMB8,637,000 in respect of the contracts signed previously included in trade and other payables was reclassified to contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on IFRS 15 *Revenue from Contracts with Customers* (Continued)

2.1.2 *Summary of effects arising from initial application of IFRS 15 (Continued)*

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Non-current asset				
Interest in an associate	*(a)*	79,119	386	79,505
Current liabilities				
Trade and other payables	*(b)*	336,825	26,762	363,587
Contract liabilities	*(b)*	26,762	(26,762)	–

Impact on the condensed consolidated statement of profit and loss and other comprehensive income

	Note	As reported RMB'000	Adjustment RMB'000	Amount without application of IFRS 15 RMB'000
Share of loss of an associate	*(a)*	7,952	(386)	7,566

Notes:

(a) Upon application of IFRS 15, NovaBay recognised revenue earlier upon transfer of control of the goods to its distributors. Multiple distinct performance obligations are identified. Deferred revenue was allocated to different performance obligations and recognised when the relevant performance obligation is satisfied. Under IAS 18, NovaBay recognised revenue after transfer of goods to its final customers. Deferred revenue was recognised on a combined basis. Without application of IFRS 15, there would have been a reduction of share of loss of an associate by RMB386,000 for the period ended 30 June 2018.

(b) Under IAS 18, advance from customers in respect of the contracts signed of approximately RMB26,762,000 would have been classified as trade and other payables.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and the related amendments

In the current period, the Group has applied IFRS 9 *Financial Instruments* and related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other component of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9*

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contract terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity instruments designated as at fair value through other comprehensive income ("**FVTOCI**")

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investment in equity instrument as at FVTOCI.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Investment in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("**OCI**") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment, and will be transferred to accumulated profits.

Dividends on these investments in equity instrument are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including finance lease receivables, amount due from a related party, trade receivables, interest receivables, other receivables, pledged bank deposits, certificate of deposits and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and finance lease receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.1 *Key changes in accounting policies resulting from application of IFRS 9 (Continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IAS 17 *Leases*.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and finance lease receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional impairment allowance was recognised at 1 January 2018.

For finance lease receivables, the Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL, finance lease receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates. The lifetime ECL of finance lease receivable is calculated based on the net exposure of the finance lease. The directors of the Company considered that the additional lifetime ECL allowance of finance lease receivables is insignificant as at 1 January 2018.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on IFRS 9 *Financial Instruments* and the related amendments (Continued)

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale RMB'000	Equity instrument at FVTOCI RMB'000	Investment revaluation reserve RMB'000	Accumulated profits RMB'000
Closing balance at 31 December 2017 – IAS 39	20,000	–	(18,510)	348,838
Effect arising from initial application of IFRS 9:				
Reclassification				
From available-for-sale *(Note a)*	(20,000)	20,000	–	–
From revaluation reserve *(Note b)*	–	–	18,510	(18,510)
Remeasurement				
From cost less impairment to fair value *(Note a)*	–	1,520	1,520	–
Opening balance at 1 January 2018	–	21,520	1,520	330,328

Notes:

(a) The Group elected to present in OCI for the fair value change of its equity investment previously classified as available-for-sale investment, which represents unquoted equity investment previously measured at cost less impairment under IAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB20,000,000 was reclassified from available-for-sale investment to equity instrument at FVTOCI. The fair value gain of approximately RMB1,520,000 relating to this unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI and investment valuation reserve as at 1 January 2018.

(b) Investment revaluation reserve amounting to approximately RMB18,510,000 was arising from a listed equity security previously classified as available-for-sale investment carried at fair value, which became an associate of the Group. The fair value gains or losses accumulated in the investment revaluation reserve as at 1 January 2018 will no longer be subsequently reclassified to profit or loss under IFRS 9. At the date of initial application of IFRS 9, investment revaluation reserve of RMB18,510,000 was reclassified to accumulated profits.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current Assets				
Interest in an associate	72,053	5,818	–	**77,871**
Other investment	20,000	–	(20,000)	**–**
Equity instrument at fair value through other comprehensive income	–	–	21,520	**21,520**
Current liabilities				
Trade and other payables	626,439	(8,637)	–	**617,802**
Contract liabilities	–	8,637	–	**8,637**
Capital and Reserves				
Investment revaluation reserve	(18,510)	–	20,030	**1,520**
Accumulated profits	348,838	5,818	(18,510)	**336,146**

3. SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of pharmaceutical products	**902,865**	964,566
Sales of medical devices	**48,757**	63,616
	951,622	1,028,182

Information reported to the executive directors, being the chief operating decision maker ("**CODM**") for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. 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 – sales of the Group's ophthalmic pharmaceutical products to the customers under the co-promotion and channel management arrangement ("**Products sold via the provision of co-promotion and channel management services**"); and

(b) Sales of all of the Group's pharmaceutical products and medical devices except for ophthalmic pharmaceutical products to the customers under the comprehensive marketing, promotion and channel management arrangement ("**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 CODM 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 2018 (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	453,445	498,177	951,622
Cost of sales	(164,837)	(455,082)	(619,919)
Gross profit & segment result	288,608	43,095	331,703
Other income			12,570
Other gains and losses			7,547
Distribution and selling expenses			(175,338)
Administrative expenses			(34,030)
Finance costs			(678)
Share of loss of an associate			(7,952)
Profit before tax			133,822

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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 tax			157,030

For the six months ended 30 June 2018

3. SEGMENT INFORMATION (Continued)

Revenue from major products

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Alcon	**498,177**	602,740
Difene	**81,869**	69,640
Fluxum	**158,100**	96,514
Polimod	**53,600**	95,703
Macmiror complex and Macmiror	**29,683**	27,620
Vinpocetine API	**18,935**	19,003
Neoton	**52,922**	43,724
Budesonide Easyhaler and Salbutamol Easyhaler	**16**	2,222
FLEET Phospho-Soda	**6,626**	7,217
Medical equipments and supplies	**48,757**	63,616
Others	**2,937**	183
	951,622	1,028,182

Note: The Alcon products represent the segment of Products sold via the provision of co-promotion and channel management services and the remaining products represent the segment of Products sold via the provision of comprehensive marketing, promotion and channel management services.

For the six months ended 30 June 2018

4. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**–**	19,583
Interest on bank deposits	**694**	1,560
Interest income on finance leases	**4,661**	3,556
Interest on amount due from a related party	**2,714**	3,158
Service income	**4,501**	2,807
	12,570	30,664

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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gains (losses)	**493**	(14,566)
Net (impairment loss) reversal of impairment loss on trade receivables	**(637)**	6,884
Net (impairment loss) reversal of impairment loss on finance lease receivables	**(79)**	3,025
Gain on dilution on interest in an associate	**7,770**	293
	7,547	(4,364)

For the six months ended 30 June 2018

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**15,035**	13,881
Hong Kong Profits Tax	**1,117**	–
(Overprovision) underprovision in prior period PRC Enterprise Income Tax	**(1,215)**	1,601
	14,937	15,482
Deferred tax *(note 13)*		
Current period	**(2,058)**	(1,126)
	12,879	14,356

7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	**2,887**	2,876
Other staff's retirement benefits scheme contributions	**4,676**	4,420
Other staff costs	**18,678**	21,050
Total staff costs	**26,241**	28,346
Auditors' remuneration	**1,795**	2,611
Write-down of inventories	**12,400**	1,014
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**3,353**	2,322
Amortisation of intangible assets	**778**	778
Cost of inventories recognised as an expense	**619,919**	701,359
Minimum lease payment under operating lease in respect of premises	**49**	97

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**120,682**	141,348
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,258,216,481**	1,294,221,000

For the six months ended 30 June 2018 and 2017, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been taken into account the ordinary shares purchased by Bank of Communications Trustee Limited from the market pursuant to the Share Award Scheme and the ordinary shares repurchased and cancelled by the Company.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB108,000 (2017: RMB58,000) for acquisition of furniture and equipment in order to upgrade its capabilities.

For the six months ended 30 June 2018

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 2018	31 December 2017
NovaBay *(Note)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	**30.50%**	33.88%

Note:

During the six months ended 30 June 2018, NovaBay issued an aggregate of 1,704,000 shares to various investors. A gain on dilution of approximately RMB7,770,000 was recognised in profit or loss. As of 30 June 2018, the Group held a total of 5,212,747 ordinary shares representing approximately 30.50% (31 December 2017: 5,212,747 ordinary shares representing approximately 33.88%) of issued shares of NovaBay.

Indicated by the financial performance of NovaBay for the six months ended 30 June 2018, 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 NYSE 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 2018 has been determined based on the quoted market price less cost of disposal. As the recoverable amount of the investment is greater than the corresponding carrying amount, nil impairment loss is recognised (31 December 2017: nil) for the six months ended 30 June 2018 in relation to the interest in an associate.

12. OTHER INVESTMENT/EQUITY INSTRUMENT AT FVTOCI

The balances as of 30 June 2018 and 31 December 2017 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 specialises in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2018 and 31 December 2017, 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 unlisted private entities and structured deposits. It was accounted for as available-for-sale investment under IAS 39 as at 31 December 2017 and measured at cost less impairment. At the date of initial application of IFRS 9, it was reclassified from available-for-sale investment to equity instrument at FVTOCI.

13. DEFERRED TAXATION

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

	Allowances RMB'000	Unrealised profit on inventories RMB'000	Provision for replacement of goods sold RMB'000	Accrued expenses RMB'000	Undistributed profit of subsidiaries RMB'000	Total RMB'000
THE GROUP						
At 1 January 2017 (Audited)	2,362	1,093	169	2,323	(7,250)	(1,303)
Credit (charge) to profit or loss	(650)	(67)	9	(916)	2,750	1,126
At 30 June 2017 (Unaudited)	1,712	1,026	178	1,407	(4,500)	(177)
Credit (charge) to profit or loss	126	900	(9)	33	4,500	5,550
At 31 December 2017 (Audited)	1,838	1,926	169	1,440	–	5,373
Charge to profit or loss	1,180	693	–	185	–	2,058
At 30 June 2018 (Unaudited)	**3,018**	**2,619**	**169**	**1,625**	**–**	**7,431**

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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Deferred tax assets	**7,431**	5,373
Deferred tax liability	**–**	–
	7,431	5,373

As at the end of the current interim period, the Group has unused tax losses of approximately RMB43,506,000 (31 December 2017: RMB43,132,000) 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 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
2018	**–**	452
2019	**25,280**	25,280
2020	**11,424**	11,424
2021	**4,709**	4,709
2022	**1,267**	1,267
2023	**826**	–
	43,506	43,132

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 RMB559,691,000 (31 December 2017: RMB434,870,000). 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 RMB559,691,000 (31 December 2017: RMB434,870,000) 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 nil (31 December 2017: nil) was recognised as at 30 June 2018.

For the six months ended 30 June 2018

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
THE GROUP		
Trade receivables	444,694	492,246
Less: Allowance for doubtful debts	(12,514)	(11,877)
	432,180	480,369
Other receivables, prepayments and deposits	13,635	16,796
Less: Allowance for doubtful debts	(129)	(129)
	445,686	497,036
Interest receivables	304	440
Advance payment to suppliers	2,272	1,572
Other tax recoverable	104	10,117
Total trade and other receivables	448,366	509,165

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 days 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 that is recognised under finance lease income and finance lease receivables, 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 aging analysis of trade receivables net of allowance for doubtful debts, which included trade receivables backed by bills provided by trade customers amounting to RMB60,449,000 (31 December 2017: RMB76,040,000), presented based on invoice date at respective reporting dates, which approximated the respective revenue recognition dates:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
THE GROUP		
0 to 60 days	**259,841**	276,955
61 days to 180 days	**99,337**	122,079
181 days to 1 year	**54,743**	64,385
1 year to 2 years	**7,095**	10,750
Over 2 years	**11,164**	6,200
	432,180	480,369

The Group applies the IFRS 9 simplified approach to measure lifetime ECL for trade receivables. Trade receivables have been grouped based on shared credit risk characteristics and the historical observed default rates adjusted by forward-looking estimates and allowance of RMB12,514,000 has been recognised as at 30 June 2018.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

15. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
THE GROUP		
Trade payables	**287,669**	568,944
Payroll and welfare payables	**3,811**	6,790
Advance from customers	**–**	8,637
Other tax payables	**5,940**	1,564
Marketing service fee payables	**14,171**	15,998
Interest payables	**–**	466
Deposits received from distributors	**20,684**	19,527
Accrued purchase	**6,483**	9,060
Other payables and accrued charges	**4,550**	4,513
	343,308	635,499
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**(6,483)**	(9,060)
	336,825	626,439

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 aging analysis of trade payables presented based on the delivery date at the end of the reporting dates:

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
THE GROUP		
0 to 90 days	**287,203**	559,340
91 days to 180 days	**–**	6,157
181 days to 1 year	**195**	2,872
Over 1 year	**271**	575
	287,669	568,944

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	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Purchase of finished goods from Covex, S.A. *(Note)*	**–**	2,943
Interest on amount due from a related party	**2,714**	3,158

Note: Covex, S.A. was controlled and beneficially owned by Mr. Li from 23 December 2016.

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

	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Name of the related party		
Amount due from a related party		
Mr. Li – non-current *(Note)*	**117,518**	115,554
	117,518	115,554

Note:

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, in which RMB51,460,000 and RMB66,058,000 will be due at 22 December 2019 and 22 December 2021 respectively.

16. RELATED PARTIES DISCLOSURES (Continued)

THE GROUP (Continued)

(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	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**4,775**	4,785
Post employee benefits	**409**	419
	5,184	5,204

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

17. BANK BORROWING

During the current interim period, the Group had not obtained any new bank loans. The bank borrowing as at 31 December 2017 has been fully repaid during the current interim period.

18. PROVISION

	Provision for replacement of goods RMB'000
THE GROUP	
COST	
At 1 January 2017	1,886
Additions	238
Utilisations	(143)
At 30 June 2017	1,981
Additions	164
Utilisations	(259)
At 31 December 2017 and 1 January 2018	**1,886**
Additions	**222**
Utilisations	**(222)**
At 30 June 2018 (Unaudited)	**1,886**

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

For the six months ended 30 June 2018

19. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised			
At 1 January 2017, 30 June 2017, 31 December 2017 and 30 June 2018	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2017, 30 June 2017	1,333,334,000	13,333,340	82,096
Shares repurchased and cancelled	(11,400,000)	(114,000)	(705)
At 31 December 2017	1,321,934,000	13,219,340	81,391
Shares repurchased and cancelled *(Note)*	(25,842,000)	(258,420)	(1,600)
At 30 June 2018	1,296,092,000	12,960,920	79,791

Note:

During the period ended 30 June 2018, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid HKD'000
January 2018	6,400,000	2.66	2.34	16,271
February 2018	1,500,000	2.58	2.48	3,829
March 2018	11,000,000	2.62	2.37	27,655
April 2018	6,335,000	2.85	2.49	17,173
June 2018	607,000	2.24	2.10	1,324

The above ordinary shares were cancelled upon repurchase, except for the 607,000 ordinary shares repurchased in June 2018 which will be cancelled in September 2018.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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

One of the Group's financial asset is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset is 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 categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); 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 asset	Fair value as at 30.06.2018	Fair value as at 31.12.2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Equity instrument at FVTOCI	8% equity investment in the Fund – RMB22,500,000	N/A	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies and adjusted by discount on lack of marketability	The price to earning ratios, price to book ratio, enterprise value to sales and enterprise value to earnings before interest, taxes, depreciation and amortization are determined by the mean or median of comparable companies as at the valuation date Discount for lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 15% to 25% *(Note)*

Note: The higher the volatility of the comparable companies, the higher the fair value of the equity instrument, and vice versa. The higher of the discount for lack of marketability, the lower the fair value of the equity instrument, and vice versa.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

There were no transfers between levels in the both periods.

Unrealised fair value gain of RMB980,000 included in other comprehensive income related to equity instrument at FVTOCI held at the end of the reporting period and is reported as changes of "investment revaluation reserve".

Reconciliation of level 3 fair value measurements of a financial asset

	Unlisted equity instrument RMB'000
At 1 January 2018	21,520
Total gains to other comprehensive income	980
At 30 June 2018	22,500

Except as detailed in above table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.