CHINA PIONEER PHARMA HOLDINGS LIMITED
中国先锋医药控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

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

RESULT

The board (the "**Board**") of directors (the "**Directors**") of China Pioneer Pharma Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** ***RMB'000***	2012 *RMB'000*
Revenue	*3*	**1,272,247**	958,723
Cost of sales		**(885,600)**	(651,978)
Gross profit		**386,647**	306,745
Other income	*4*	**49,434**	26,604
Other gains and losses	*5*	**10,811**	3,682
Distribution and selling expenses		**(101,760)**	(92,087)
Listing expenses		**(19,314)**	–
Administrative expenses		**(33,565)**	(28,670)
Finance costs	*6*	**(12,679)**	(9,435)
Share of loss of an associate		**(7,088)**	–
Profit before tax	*7*	**272,486**	206,839
Income tax expense	*8*	**(36,732)**	(21,122)
Profit for the year		**235,754**	185,717
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**75**	616
– Fair value loss on other investments		**(3,824)**	(3,243)
Other comprehensive expense for the year		**(3,749)**	(2,627)
Total comprehensive income for the year		**232,005**	183,090
Profit (loss) for the year attributable to:			
Owners of the Company		**238,372**	186,369
Non-controlling interests		**(2,618)**	(652)
		235,754	185,717
Total comprehensive income (expense) attributable to:			
Owners of the Company		**234,623**	183,742
Non-controlling interests		**(2,618)**	(652)
		232,005	183,090
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	*9*	**0.23**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**2013** ***RMB'000***	2012 *RMB'000*
Non-current Assets			
Property, plant and equipment		**17,219**	11,312
Investment properties		**–**	6,614
Prepaid lease payments		**2,323**	2,375
Intangible assets		**15,221**	15,855
Interest in an associate		**23,593**	–
Other investments		**53,359**	14,216
Finance lease receivables		**41,025**	4,876
Deferred tax assets		**2,142**	6,331
		154,882	61,579
Current Assets			
Inventories		**419,844**	295,862
Finance lease receivables		**4,733**	1,323
Trade and other receivables	*11*	**331,028**	200,097
Amount due from a related party		**–**	–
Tax recoverable		**192**	875
Prepaid lease payments		**52**	52
Derivative financial instruments		**–**	2,618
Structured note		**19,829**	–
Pledged bank deposits		**304,282**	294,726
Restricted bank deposits		**–**	11,862
Certificate of deposit		**60,000**	–
Bank balances and cash		**702,073**	59,559
		1,842,033	866,974

	Notes	2013 *RMB'000*	2012 *RMB'000*
Current Liabilities			
Trade and other payables	*12*	**360,742**	290,840
Amounts due to related parties		**10,603**	460
Tax liabilities		**424**	3,823
Bank borrowings		**429,545**	416,220
Derivative financial instruments		**–**	1,162
Provision		**4,222**	3,223
		805,536	715,728
Net Current Assets		**1,036,497**	151,246
Total Assets less Current Liabilities		**1,191,379**	212,825
Capital and Reserves			
Share capital		**82,096**	–
Reserves		**1,075,532**	212,057
Equity attributable to owners of the Company		**1,157,628**	212,057
Non-controlling interests		**(343)**	768
Total Equity		**1,157,285**	212,825
Non-current liability			
Deferred tax liability		**7,500**	–
Amounts due to related parties		**460**	–
Long-term liabilities	*12*	**26,134**	–
		1,191,379	212,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

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

New and revised IFRSs issued but not yet effective

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

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

The Group's chief operating decision maker is Mr. Li Xinzhou, the Chief Executive Officer, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance.

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

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

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

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

Segment revenues and results

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

For the year ended 31 December 2013

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

For the year ended 31 December 2012

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

Revenue from major products

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

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

Geographical information

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

Information about major customers

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

4. OTHER INCOME

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

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

5. OTHER GAINS AND LOSSES

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

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

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

8. INCOME TAX EXPENSE

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

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

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

Pioneer Pharma (Singapore) Pte. Ltd. ("**Pioneer Singapore**") and Pioneer Medident (SE Asia) Pte. Ltd. ("**Pioneer Medident**") are subject to Singapore Profits Tax of a rate of 17%. No provision for Singapore Profits Tax was made for the year ended 31 December 2012 and 2013 as the amount involved is insignificant.

On 10 October 2013, a subsidiary, 先鋒泰醫藥股份有限公司 is incorporated in Taiwan and subject to corporate income tax of 17%. No provision for Taiwan income tax was made for the year ended 31 December 2013 as it is loss-making and had no assessable profits since its incorporation.

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

Pursuant to certain tax policies, a preferential tax rate was available for enterprises located in Hainan Yangpu Economic Development Zone and as a result, Pioneer Pharma Shareholding Company Limited ("**Pioneer Pharma**") was subject to EIT of 25% (2012: 25%) for the year ended 31 December 2013.

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

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

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

9. EARNINGS PER SHARE

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

	2013	2012
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB238,372,000**	N/A
Numbers of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,047,454,000**	N/A

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

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

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

10. DIVIDENDS

No dividend was paid or declared by group entities to external parties other than to Pioneer Pharma for the years ended 31 December 2012 and 31 December 2013.

11. TRADE AND OTHER RECEIVABLES

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

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 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 the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 months as stated in contracts are included in trade receivables. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the year ended date, which approximated the respective revenue recognition dates:

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

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

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

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

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

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

12. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

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

Note: The amount represents the accruals for the cost of medical devices which are sold under sale contracts with its customers pursuant to which legal ownership is only transferred to the customers upon full payment of the contract sum and is not payable within one year.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

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

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

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

1. Product Development

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

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

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

Difene (diclofenac sodium dual-release enteric-coated capsule) (戴芬) (雙氯芬酸鈉雙釋放腸溶膠囊)

Difene is manufactured by Temmler Werke of Germany. It is used for the treatment of arthritis and other inflammatory rheumatic diseases of the spine, pains related to degenerative diseases of joints and spine, trauma and post-operative swelling or inflammation, dysmenorrhea and post-operative pain or inflammation caused by surgery. Difene's unique dual-release formulation is patented in Europe, the United States and several other countries. For the year ended 31 December 2013, the Group's sales of Difene was RMB118.5 million, representing a 25.6% increase as compared to the year ended 31 December 2012, and contributing 9.3% to the Group's revenue.

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

Fluxum (parnaparin) (希弗全) (帕肝素)

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

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

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

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

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

Vinpocetine API (長春西汀原料藥)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In general, the Group's sales model for ophthalmological medical devices include four categories: 1) direct selling; 2) consumables purchase arrangements; 3) revenue sharing arrangements; and 4) profit sharing co-operation arrangements. Under 1) direct selling, by entering into sales agreement with a client, the Group sells the equipment to the clients directly. Under 2) consumable purchase cooperation, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client shall purchase consumables of the device from the Group, for an amount not lower than the minimum annual purchase amount of consumables pursuant to the agreement. Upon expiry of the agreement term, the ownership of the device will be transferred to the client without additional charges. Under 3) revenue sharing cooperation, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client nor does it charges the client for the provision of consumables. In return, the client is required to pay the Group a certain proportion of revenue generated from the use of the equipment, subject to a minimum amount pursuant to the agreement. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges. Under 4) profit sharing cooperation, by entering into a co-operation agreement with a client, a project group using the medical device will be created. Within the agreed term, the annual profit generated from the project, which shall be surgery income net of project expenses such as salary of the project group members, travel expenses, facility maintenance fees, consumable purchase costs and daily expenses, will be shared by the Group and the client on a pro-rata basis. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges.

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

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

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

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

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

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

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

1.3 Product Pipeline

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

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

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

STARflo glaucoma Implant (青光眼引流器)

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

Mirtazapine orally disintegrating tablets (米氮平口崩片)

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

Ketipinor tablets (quetiapine fumarate) (喹硫平片)

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

Topiramate tablets (托吡酯片)

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

2. Marketing Network Development

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

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

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

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

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

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

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

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

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

3. Overseas Investments

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

3.1 Investment in NovaBay

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

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

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

3.2 Investment in Q3

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

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

4. Listing in Hong Kong

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

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

Future and Outlook

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income

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

Distribution and selling expenses

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

Listing Expenses

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

Administrative Expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

Liquidity and Capital Resources

Cash Position

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

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

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

Net cash from (used in) operating activities

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

Net cash from (used in) investing activities

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

Net cash from (used in) financing activities

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

Bank Borrowings and Gearing Ratio

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

Net Current Assets

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

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

Inventories

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

Trade and Other Receivables

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

Trade and Other Payables

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

Capital Expenditure

The following table sets out capital expenditure:

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

Indebtedness

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

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

Contingent Liabilities

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

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

Market Risks

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

Dividend

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

EMPLOYEE AND REMUNERATION POLICY

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

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 9 May 2014 (Friday). A notice convening the Annual General Meeting will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

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

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

LISTING AND USE OF PROCEEDS FROM SHARE OFFER

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

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

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

CORPORATE GOVERNANCE

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 complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules since the Company's shares were listed on the Main Board of the Stock Exchange on 5 November 2013 (the "**Listing Date**") up to the year ended 31 December 2013, except for deviations from the CG Code provisions disclosed below:

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

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

AUDIT COMMITTEE

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

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

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2013. The Company will submit a resolution in the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all the Directors and each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code since the Listing Date up to the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the Listing Date up to the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2013 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/), and the 2013 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Pioneer Pharma Holdings Limited
Li Xinzhou
Chairman

Hong Kong, 25 March 2014

As at the date of this announcement, the directors of the Company are Mr. LI Xinzhou, Mr. ZHU Mengjun as executive Directors, Mr. LU Yuan, Mr. WU Mijia and Mr. ZHANG Wenbin as non-executive Directors and Mr. XU Zhonghai, Mr. LAI Chanshu and Mr. WONG Chi Hung, Stanley as independent non-executive Directors.