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

VISION · ACTION · PERSEVERANCE

ANNUAL REPORT 2014

CONTENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Wu Mijia

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Xu Zhonghai *(Chairman)*
Mr. Lai Chanshu
Mr. Wu Mijia

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Zhu Mengjun
Ms. Yung Mei Yee

JOINT COMPANY SECRETARIES

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

REGISTERED OFFICE

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

CORPORATE HEADQUARTERS

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2207–08, 22/F Trendy Centre
682 Castle Peak Road
Lai Chi Kok
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

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

01345

COMPANY'S WEBSITE

http://www.pioneer-pharma.com/

Financial Highlights

- Revenue of the Group increased by 21.1% to RMB1,540.4 million in 2014 from RMB1,272.2 million in 2013.
- Net profit of the Group increased by 10.7% to RMB261.0 million in 2014 from RMB235.8 million in 2013. Excluding the effect of taxes returned in the form of government grants, net profit of the Group increased by 26.0% to RMB251.5 million in 2014 from RMB199.6 million in 2013.
- Excluding the effects of acquiring a controlling equity stake in and the restructuring of debts of Covex Group of Spain (including foreign exchange losses and the consolidated profit or loss account), amounting to a loss of RMB3.8 million and combined with the investment loss on an associate company, Q3, amounting to RMB15.3 million, the total effect amounted to RMB19.1 million, therefore the adjusted net profit of the Group amounted to RMB280.1 million in 2014.
- Basic earnings per share was RMB0.20 in 2014.
- A final dividend of RMB8.5 cents per share (equivalent to HK10.7 cents per share) was recommended by the Board and is subject to the approval of the shareholders at the annual general meeting of the Company to be held on 8 May 2015.

	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Operating results					
Revenue	570,647	717,831	958,723	1,272,247	**1,540,398**
Gross profit	166,090	195,702	306,745	386,647	**491,949**
Profit before income tax	96,882	123,093	206,839	272,486	**304,688**
Profit for the year	75,077	97,012	185,717	235,754	**260,951**
Profit for the year, all attributable to the owners of the Company	70,435	95,675	186,369	238,372	**261,718**
Profitability					
Gross margin (%)	29.1	27.3	32.0	30.4	**31.9**
Net profit margin (%)	13.2	13.5	19.4	18.5	**16.9**
Total assets	520,938	787,512	928,553	1,996,915	**2,554,851**
Total equity	184,876	193,026	212,825	1,157,285	**1,225,975**
Total liabilities	336,062	594,486	715,728	839,630	**1,328,876**
Gearing ratio (%)	30.5	42.9	44.8	21.5	**23.9**
Equity attributable to equity owners of the Company	173,445	192,105	212,057	1,157,628	**1,127,360**
Cash and cash equivalents	114,336	51,356	59,559	702,073	**260,834**

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of China Pioneer Pharma Holdings Limited ("the Company" or "China Pioneer Pharma"), I would like to express my gratitude to all shareholders for their continued interest and unwavering support. As the Chairman of the Board, I am also pleased to present the annual results report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

The year 2014 was an important year for the Group. This year was the first full fiscal year for the Group since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Complicated and ever changing pharmaceutical policies and market conditions resulted in a year full of challenges and developments. During the year, the Group continued to execute its strategies and development plans while maintaining its focus on the provision of marketing, promotion and channel management services dedicated to imported pharmaceutical products and medical devices. By executing its strategy of expanding and optimising its product portfolio as well as growing and improving its marketing network, the Group continued to strengthen its leading market position in 2014. The Group also actively extended the industrial layout through the acquisition of Covex, S.A. ("Covex") and Covex, Farma S.L. (collectively referred to as "Covex Group") of Spain which is expected to increase available space for future development.

For the year ended 31 December 2014, the revenue of the Group increased by 21.1% to RMB1,540.4 million from RMB1,272.2 million in 2013; profit for the year increased by 10.7% to RMB261.0 million from RMB235.8 million in 2013. Excluding the effect of taxes refund in the form of government grants, profit for the year increased by 26.0% to RMB251.5 million from RMB199.6 million in 2013. Basic earnings per share was RMB0.20. The Board recommends the payment of a final dividend of RMB0.085 (equivalent to HKD0.107) per share for the year ended 31 December 2014.

DEVELOPING AND OPTIMISING PRODUCT PORTFOLIO

In 2014, the Group continued to enhance its provision of comprehensive marketing, promotion and channel management services to small and medium-sized overseas pharmaceutical product and medical device suppliers. The Group also 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.

For the year ended 31 December 2014, the Group generated RMB673.4 million in revenue from the sale of products sold via the provision of comprehensive marketing, promotion and channel management service to small and medium sized overseas suppliers, representing an increase of 38.5% as compared to 2013 and accounting for 43.7% of the Group's revenue in 2014. Revenue from key pharmaceutical products in this segment, including Fluxum and Polimod, recorded steady growth in 2014. This segment's growth can be attributed to several factors, including increasing brand recognition and hospital coverage due to promotion efforts, growing demand for the products in regions and hospitals within the Group's network. Reorganisation and adjustment of certain regional promotion and sales network for Difene took place during the first half of 2014, which adversely affected the product's sales. However, with the completion of the reorganization and adjustment of regional promotion and sales networks, sales of Difene rebounded to pre-reorganisation levels and appears to be back on its normal growth track in the second half of 2014. Revenue from medical devices in this segment, including WaveLight Eagle laser surgical series products, odontology products and the newly launched intraocular lens (IOL) in the first half of 2014, maintained significant progress in 2014, by leveraging on the strong momentum from 2013 and benefiting from its well-established sales and marketing network, flexible sales models and strong market demand.

For the year ended 31 December 2014, revenue generated from the sale of products sold via the provision of co-promotion and channel management services to Alcon, amounted to RMB867.0 million, representing an increase of 10.3% as compared to 2013 and accounting for 56.3% of the Group's total revenue in 2014. The introduction of policies relating to the healthcare industry exerted a certain impact on the overall growth of the Chinese healthcare industry. The sales growth of Alcon's pharmaceutical products have slowed down compared to previous years. However, due to an aging population and lifestyle changes, the incidence of ophthalmic diseases in China continues to be on the rise. This has led to a significant increase in market demand for ophthalmic pharmaceutical products. In the long run, as the market leader of eye care products, Alcon will still benefit substantially from these macroeconomic tailwinds and maintain the sustained development.

The Group actively seeks prospective product candidates for marketing, promotion and sale from overseas pharmaceutical and medical device companies, to expand the Group's product portfolio. In September 2014, NeutroPhase, a medical device approved by the China Food and Drug Administration (the "CFDA"). The Group was granted an exclusive marketing, promotion and sales right of the product in China and some Southeast Asian countries. The sales and marketing plan relating to the product has been fully carried out, and NeutroPhase will be one of the Group's important products in the near future. In December 2014, after entering into an agreement with its important long-term partner Alfa Wassermann S.p.A of Italy ("Alfa Wassermann"), the Group was granted the exclusive importation, sales and co-promotion rights of Neoton, an creatine phosphate sodium for injection. By virtue of the fact that the Group is the sole importer and distributor of Neoton and through the significant increase of areas in which to market and promote in, Neoton should contribute greatly to the Group's performance. In December 2014, after entered into an agreement with its another important long-term partner Polichem S.A. of Switzerland ("Polichem"), the Group was granted the rights to market, promote and sell product Cripar in China. As the only Dihydro-α-Ergocryptine Mesylate Tablet product in China, it has huge market potential. Cripar is an important product for the treatment of Parkinson's disease and syndromes of senile dementia and vascular dementia caused by nerve function degradation. In May 2014, after entering into an exclusive distribution agreement with Life Spine, Inc. ("Life Spine"), the Group acquired the right to distribute a series of spinal products developed by Life Spine, on an exclusive basis, in China following product registration. The Group believes the fast growing orthopaedic implant market in China indicates the large potential for the development of both parties.

During the year of 2014, the Group acquired a controlling equity stake in and restructured the debts of Covex Group of Spain. Covex Group is a supplier of Vinpocetine API, and was involve in receivership proceedings prior to the Group's acquisition. Through the acquisition, the Group will be able to obtain stable, high quality Vinpocetine API at a low cost. Meanwhile, the debt acquisition by the Group enabled the receivership proceedings against Covex to come to an end, which in turn strengthened the financial position of Covex, and facilitated further development of its business and operations. The acquisition is expected to benefit the revenue and the profit of the Group.

For the year ended 31 December 2014, the Group secured the marketing, promotion and sales rights for 14 additional prescription pharmaceutical products and over 20 medical devices, and 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 by the CFDA.

EXPANDING AND IMPROVING MARKETING NETWORK

In addition to the expansion of the product portfolio, the Group's development strategy focuses on continuously expanding our marketing network. The Group's marketing and promotion model comprises of an in-house marketing team and a team of third party promotion partners. To maintain the efficiency and stability of the marketing network, we have set up sales and product manager teams to manage and support third-party promotion partners.

The Group's marketing and promotion model leverages on the broad experience and geographic reach of third party promotion partners and enables us to market and promote a diverse range of 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.

During the year of 2014, the Group adopted a series of measures, to continuously strengthen the business control and management of third party promotion partners. Based on the existing model, the Group established seven product business units divided by different products or products series. Business units carried out their own marketing, promotion and sales work dedicated to their own products. Each business unit comprehensively streamlined the structure of third party promotion partners, so as to optimize the quality and to effectively cover gaps in the marketing areas. Meanwhile, the Group strived to strengthen the in-house marketing team to supply academic promotion training and support to third party promotion partners, and to take more measures including improving the information management system so as to participate in the management of third party promotion partners' daily sales processes.

As of 31 December 2014, the Group sold products through its nationwide marketing, promotion and channel management services network to over 28,500 hospitals and other medical institutions, and over 102,000 pharmacies across 31 provinces, municipalities and autonomous regions in China.

DIVIDEND

The Board is pleased to recommend a final dividend payment of RMB0.085 dollars (equivalent to approximately HKD0.107) per share for the year ended 31 December 2014 to shareholders whose names are on the register of members at the close of business on Thursday, 14 May 2015. The register of members of the Company will be closed on Thursday, 14 May 2015, on which no transfer of shares will be registered. Payment of such final dividend in Hong Kong Dollars is expected to be made to the Shareholders on or after Thursday, 21 May 2015 subject to the Shareholders' approval at the annual general meeting of the Company (the "AGM") on Friday, 8 May 2015.

OUTLOOK

The year 2014 was the first full fiscal year for the Group since its listing on the Main Board of the Stock Exchange. Facing numerous external pressures from complicated and ever changing pharmaceutical policies and market conditions, the Group still achieved significant development by adhering to the faith of "Vision, Action and Perseverance". The Group will continue to strengthen its position as a leading marketing, promotion and channel management service provider dedicated to 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 optimization of the product portfolio, and expansion and improvement of the Group's sales and marketing network.

During the year of 2014, the Group's existing products continued to grow steadily, meanwhile, several new products with high growth potential were added into the Group's product portfolio, obtained for sale by way of entering into long-term agreements with suppliers or acquisitions. In the future, we will continue to proactively explore product candidates with high growth potential to ensure the Group's sustainable growth.

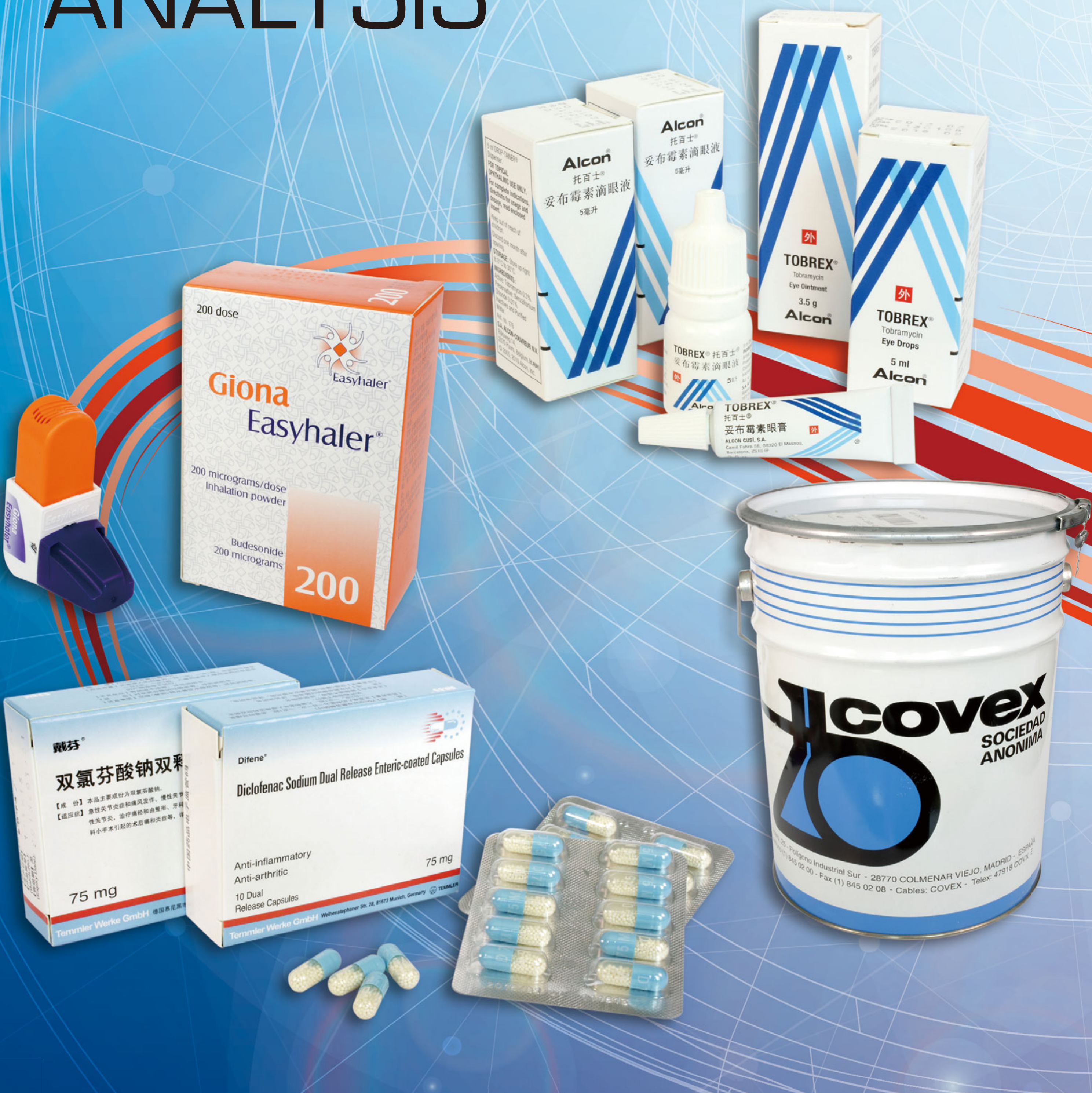
By building upon the existing marketing and promotion model, through the internal reorganisation and establishment of product business units, the Group has laid a solid foundation for the large scale and professional development of its marketing and promotion network. In the future, each business unit will cultivate a more professional in-house marketing team and third party promotion partners, so as to improve the layout of and accelerate the extension of the marketing network, as well as further tapping into the products' market potential.

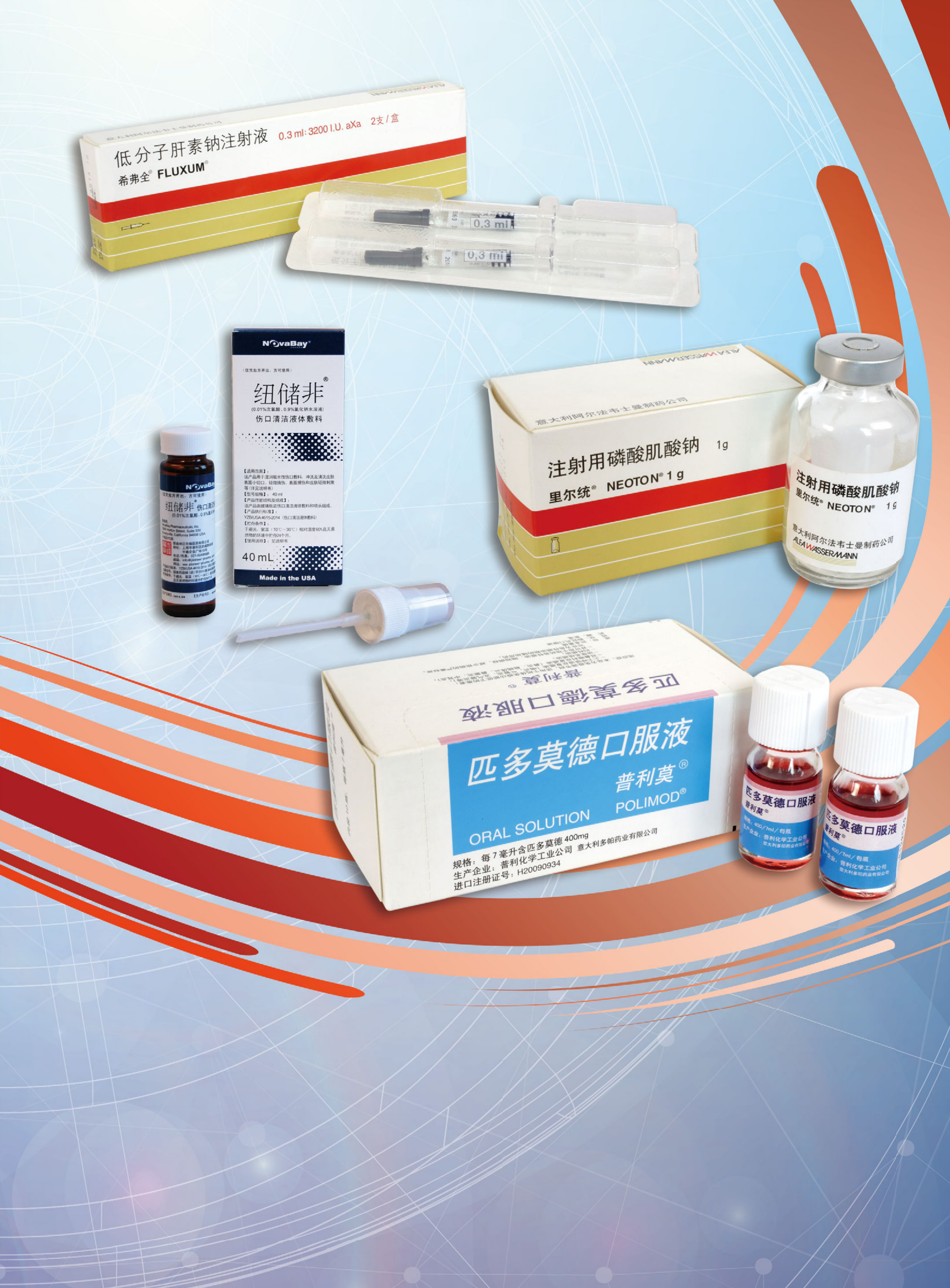
Looking forward, the Group will continue to pay close attention to changes in the future development of Chinese pharmaceutical policy and industrial environment, to firmly grasp opportunities from the developments in Chinese pharmaceutical market, and will continue to focus on enhancing enterprise competencies, in order to maximize return to shareholders.

Li Xinzhou
Chairman of the Board

24 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS





低分子肝素钠注射液
0.3 ml: 3200 I.U. aXa
2支/盒
希弗全® FLUXUM®
0,3 ml
NovaBay®
纽储非®
伤口清洁液体敷料
40 mL
Made in the USA
注射用磷酸肌酸钠
1g
里尔统® NEOTON® 1 g
意大利阿尔法韦士曼制药公司
ALFA WASSERMANN
匹多莫德口服液
普利莫®
POLIMOD®
ORAL SOLUTION
规格：每7毫升含匹多莫德 400mg
生产企业：普利化学工业公司 意大利多帕药业有限公司
进口注册证号：H20090934

Management Discussion and Analysis

OPERATION REVIEW

For the year ended 31 December 2014 (the "Reporting Period"), the Group achieved sound growth. The Group's revenue increased by 21.1% year-on-year to RMB1,540.4 million (2013: RMB1,272.2 million) gross profit increased by 27.2% year-on-year to RMB491.9 million (2013: RMB386.6 million) and net profit for the year increased by 10.7% year-on-year to RMB261.0 million (2013: RMB235.8 million). Excluding the effect of taxes returned in the form of government grants, net profit of the Group increased by 26.0% year-on-year to RMB251.5 million (2013: RMB199.6 million). Excluding the effects of acquiring a controlling equity stake in and the restructuring of debts of Covex Group of Spain (including foreign exchange losses and the consolidated profit or loss account), amounting to a loss of RMB3.8 million and combined with the investment loss on an associate company, Q3 Medical Devices Limited ("Q3"), amounting to RMB15.3 million, the total effect amounted to RMB19.1 million, therefore the adjusted net profit of the Group amounted to RMB280.1 million in 2014.

For the year ended 31 December 2014, through the expansion of its promotion network, increased promotion efforts and continuous improvement and refinement of each product's marketing strategy, the Group continued to enhance its comprehensive marketing, promotion and channel management services to small and medium-sized overseas pharmaceutical product and medical device suppliers. In 2014, revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management service increased by 38.5% year-on-year to RMB673.4 million, representing 43.7% of the Group's revenue for the year ended 31 December 2014. Gross profit increased by 33.7% year-on-year to RMB367.3 million, representing 74.7% of the Group's gross profit for the year ended 31 December 2014.

For the year ended 31 December 2014, 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. The Group provides channel management services for all of Alcon's 21 pharmaceutical products sold in China and provides co-promotion services for eight of these products. In 2014, revenue generated from products sold via the provision of co-promotion and channel management services increased by 10.3% year-on-year to RMB867.0 million, representing 56.3% of the Group's revenue for the year ended 31 December 2014. Gross profit increased by 11.3% year-on-year to RMB124.6 million, representing 25.3% of the Group's gross profit for the year ended 31 December 2014.

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. As of 31 December 2014, the Group had a product portfolio of pharmaceutical products (substantially all of which are prescription products), covering ophthalmology, pain management, cardiovascular, respiratory, gastroenterology, immunology and other therapeutic areas, and medical devices covering several medical specialties, including ophthalmology, odontology, wound care, etc.

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

Category	2014 RMB'000	Percentage of the Group's total Revenue/ Gross Profit (%)	2013 RMB'000	Percentage of the Group's total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	**476,102**	**30.9**	383,463	30.1
Medical Devices	**197,251**	**12.8**	102,577	8.1
Gross Profit:				
Pharmaceutical Products	**297,791**	**60.5**	240,749	62.3
Medical Devices	**69,505**	**14.2**	33,880	8.8

For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 24.2% compared to last year to RMB476.1 million, representing 30.9% of the Group's revenue for the Reporting Period. Gross profit increased by 23.7% compared to last year to RMB297.8 million, representing 60.5% of the Group's gross profit for the Reporting Period.

Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services achieved significant growth on the whole. Sales of the Group's more mature products, such as Fluxum, Polimod, Macmiror Complex and Macmiror, maintained steady growth in the market. Sales of Difene was adversely affected by reorganisation and adjustment of certain regional promotion and sales network. However, with the completion of the reorganization and adjustment of regional promotion and sales networks, sales of Difene has rebounded to pre-reorganisation levels and appeared to be on its normal growth track in the second half of 2014.

Specifically, Fluxum is a low molecular weight heparin product manufactured by Alfa Wassermann of Italy. Fluxum is used for the treatment of venous thrombosis and its extension and for the prevention of clotting in arterial and cardiac surgery. During the Reporting Period, the Group strengthened the market position of Fluxum and continued to develop new markets for Fluxum through increased academic promotion efforts. The Group also strengthened the delivery of updated information of anticoagulant treatments and specific Fluxum product features to doctors in target departments within hospitals in the Group's network in order to strengthen Fluxum's brand recognition. For the Reporting Period, the Group's sales of Fluxum was RMB128.4 million, representing a 51.3% increase compared to the last year, and contributing 8.3% of the Group's revenue. During the Reporting Period, the Group entered into an addendum agreement with Alfa Wassermann to extend the expiry date of the Group's marketing, promotion and sales right of Fluxum in China to 31 December 2018.

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. Polimod is the originator of pidotimod. During the Reporting Period, by taking the advantage of the wide application of Polimod in several department of hospitals, the Group strengthened the promotion effort and refined the management of promotion activities in hospitals and departments covered in the network, in order to increase prescription of the product by physicians at hospitals and to further tap into the market potential of the product. Macmiror Complex is a fixed combination of nifuratel and nystatin vaginal suppositories with intense and efficacious trichomonacidal, antibacterial and mycostatic action, making it effective in the treatment of vaginitis of mixed aetiology. Macmiror Complex is the only suppository formulation among all of nifuratel and nystatin products. Macmiror is nifuratel in oral form. Nifuratel, the active ingredient of Macmiror, is a chemotherapeutic agent (furanederivative) with strong trichomonacidal activity and has a broad spectrum of antibacterial action for treatment. Macmiror Complex and Macmiror are patented products from Polichem. For the Reporting Period, the Group's sales of Polimod, Macmiror Complex and Macmiror was RMB111.6 million, representing a 28.5% increase compared to the last year, and contributing 7.2% of the Group's revenue. Moreover, during the Reporting Period, the Group entered into an agreement with Polichem to extend the expiry date of the Group's rights to market, promote and sell Polimod in eight provinces in China and Macmiror Complex and Macmiror in China to 31 December 2019. The agreement shall be further renewed for three years period after the expiration, which represents the Group is granted the rights to market, promote and will sell these three products in the long run.

The Group's reorganisation and adjustment of certain regional promotion and sales networks for Difene took place during the first half of 2014, which adversely affected the product's sales for the first half of 2014. However, with the completion of the reorganization and adjustment of regional promotion and sales networks, sales of Difene has rebounded to pre-reorganisation levels and appeared to be on its normal growth track in the second half of 2014. For the Reporting Period, the Group's sales of Difene was RMB114.3 million, representing a 3.6% decrease compared to the last year, and contributing 7.4% of the Group's revenue. After years of market positioning, brand building and expansion of marketing network, Difene has established a 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. The Group believes the completion of the reorganization and adjustment of regional promotion and sales networks, laid a solid foundation for the Group to promote Difene using a more comprehensive sales network platform in the future.

The Group has also steadily progressed the development of its other products with vast market potential. 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. In 2013, creatine phosphate, with its vast market potential, was the seventh best-selling chemical drug and the second best-selling cardiovascular drug measured by sales to hospitals in China, according to the Southern Medicine Economic Research Institute and MENET. The Group was authorized to market, promote and sell Neoton to designated hospitals in five provinces in China since 2012. For the Reporting Period, the Group's sales of Neoton was RMB17.2 million, representing a 5.8% increase compared to the last year, and contributing 1.1% of the Group's revenue. In December 2014, after entering into an agreement with Alfa Wassermann, the Group was granted the exclusive importation, sales and co-promotion rights of Neoton in China until 31 December 2019. By virtue of the fact that the Group is the sole importer and distributor of Neoton in China and through the significant increase of areas in which to market and promote in, the Group believes that Neoton should contribute greatly to the Group's performance.

The Easyhaler series products include Budesonide Easyhaler and Salbutamol Easyhaler, both of which are inhalation drugs used for the treatment of lung diseases manufactured by Orion Corporation of Finland. Budesonide Easyhaler is intended for patients with persistent asthma who need glucocorticosteroid treatment, while Salbutamol Easyhaler is used to alleviate bronchospasm caused by bronchial asthma or chronic obstructive pulmonary disease, or chronic obstructive pulmonary diseases ("COPD"). For the Reporting Period, the Group's sales of Easyhaler series products was RMB11.9 million, representing a 74.0% increase compared to the last year, and contributing 0.8% of the Group's revenue. During the year 2014, with the progress of provincial bidding process, and the fact that Salbutamol Easyhaler was selected in National Cheap drugs List, the Group extended its market area and increased the number of hospitals covered. Meanwhile, the Group continued to enhance its academic promotion efforts for the products by organising and participating in various international, national and regional academic promotion conferences, in order to strengthen Easyhaler's brand recognition. With the possible further acceleration of the provincial bidding process and constant academic promotion efforts, the Group believes that sales of Easyhaler series products will maintain rapid growth.

In 2012, the Group started providing comprehensive marketing, promotion and channel management services for imported medical devices in China. In 2013, the Group was able to intensify and streamline its marketing efforts for these products and revenue generated from the sales of medical devices increased significantly. During the Reporting Period, the Group also made significant progress in the sale of medical devices by leveraging on the strong momentum from 2013 and benefiting from its well-established sales and marketing network, flexible sales models and favourable macroeconomic factors. For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 92.3% compared to last year to RMB197.3 million, representing 12.8% of the Group's revenue. Gross profit increased by 105.2% compared to last year to RMB69.5 million, representing 14.2% of the Group's gross profit.

During the Reporting Period, WaveLight Eagle laser surgical series are still the important product in the medical devices product portfolio of the Group. 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 the 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.

The Group adopted a multi-strategy sales model for WaveLight Eagle laser surgical series for different regions, resulting in strong growth in sales of this product for the Reporting Period. In general, the Group's sales model for ophthalmological medical devices includes four categories: 1) direct selling; 2) consumable purchase cooperation arrangements; 3) revenue sharing co-operation 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 client directly. Under 2) consumable purchase co-operation arrangements, 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 co-operation arrangements, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client is required to pay the Group a certain proportion of the 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 co-operation arrangements, by entering into a co-operation agreement with a client, a project group using the medical device will be established. Within the agreed term, the monthly 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.

For the Reporting Period, the Group established business co-operation with numbers of hospitals in China by entering into sales or co-operation agreements. For the Reporting period, sales of WaveLight Eagle laser surgical series was RMB76.8 million, representing a 52.4% increase compared to last year.

During the Reporting Period, except for WaveLight Eagle laser surgical series products, sales of the Group's medical devices covering other medical specialties including odontology, anesthesiology and the intraocular lens (IOL) which was newly launched in the first half of 2014, was RMB120.5 million, representing 7.8% of the Group's revenue for the year ended 31 December 2014.

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

Category	2014 RMB'000	Percentage of the Group's total Revenue/ Gross Profit (%)	2013 RMB'000	Percentage of the Group's total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	**867,045**	**56.3**	786,207	61.8
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**124,653**	**25.3**	112,018	29.0

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

In 2014, the introduction of policies relating to the healthcare industry exerted a certain impact on the overall growth of the Chinese healthcare industry. The sales growth of Alcon's pharmaceutical products slowed down compared to previous years. For the Reporting Period, the Group's revenue from the sales of Alcon series ophthalmic pharmaceutical products was RMB867.0 million, representing a 10.3% increase compared to last year, and contributing 56.3% of the Group's revenue. Gross profit was RMB124.6 million, representing a 11.3% increase compared to last year and contributing 25.3% of the Group's gross profit. However, due to aging population and lifestyle changes, the incidence of ophthalmic diseases in China continues to be on the rise. This has led to significant increase in market demand for ophthalmic pharmaceutical products. In the long run, as the market leader of eye care products, Alcon will benefit substantially from these macroeconomic tailwinds, and should maintain the sustained development.

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 regulatory regime and reputation of suppliers.

During the Reporting Period, the Group secured the marketing, promotion and sale rights for 14 prescription pharmaceutical products and over 20 medical devices, and is currently in the process of registering these products or preparing the registration applications for these products with the CFDA for their import and sale in China. In addition to the above mentioned products and devices, the Group was granted the rights to market, promote and sell a new product, Cripar in China after entering into an agreement with Polichem of Switzerland. The Group was also granted the exclusive right to distribute in China, a series of spinal products produced by Life Spine, Inc. ("Life Spine"), following product registration. Life Spine is an innovative U.S. medical device company which designs, develops, manufactures and markets products for the surgical treatment of spinal disorders. Finally, NeutroPhase, a medical device in respect of which the Group has been granted exclusive marketing, promotion and sale rights in China and in some Southeast Asian countries, was approved by the CFDA. The descriptions of the key products in the product pipeline are summarised as follows:

NeutroPhase is manufactured by NovaBay Pharmaceuticals, Inc. ("NovaBay"). It is a skin and wound cleanser consisting of 0.01% pure hypochlorous acid in physiological saline solution. NeutroPhase 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. The approval was obtained for the launch of NeutroPhase in China from the CFDA in September 2014. NeutroPhase was approved by the CFDA as a medical device and its registration certificate has a term of five years. The Group has implemented sales and marketing plans for NeutroPhase, and NeutroPhase shall be one of the Group's important products.

Cripar (generic name being Dihydro-α-Ergocryptine Mesylate Tablet) is manufactured by Polichem of Switzerland. It is a dopamine receptor agonist product. It acts by activating the central nervous system and dopamine receptors. It is indicated for the treatment of Parkinson's disease, headache, migraine, hyperprolactinemia, and for improving the syndrome of senile dementia and vascular dementia caused by nerve function degradation. Cripar is a proprietary drug from Polichem. According to the Southern Medicine Economic Research Institute and MENET, China's market for Dihydro-α-Ergocryptine Mesylate Tablet grew at a CAGR of 40.35% from 2010 to 2013. Currently, Cripar is the only Dihydro-α-Ergocryptine Mesylate Tablet product in China.

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 2015.

Mirtazapine is produced by Ehypharm of France. It is mainly used for the treatment of depressive episodes. It can dissolve in 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 obtain clinical trial approval in 2015.

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 the registration application to the CFDA for Ketipinor in August 2011 and expects to obtain clinical trial approval by 2016.

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 obtain clinical trial approval in 2016.

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

During the Reporting Period, the Group restructured the business organisation in order to further strengthen the professional in-house marketing team, business control and management of third party promotion partners. Based on the existing promotion model, the Group established seven product business units divided by different products or products series. Each product business unit has its own general manager or director as the leader, equipped with dedicated sales, market, business and financial team, and carries out their own marketing, promotion and sales work dedicated to their own products. Each business unit comprehensively streamlines the structure of third party promotion partners, so as to optimize the quality and to effectively cover gaps in the marketing areas. Meanwhile, the Group strived to strengthen the process and performance management of third party promotion partners, as well as reinforcing training and support supplied by in-house marketing team to third party promotion partners, and taking more measures including further improving the information management system so as to participate in the management of third party promotion partners' daily sales process. The Group believes the restructuring of the business organisation is beneficial to cultivate a more professional in-house marketing team and third party promotion partners, so as to improve layout of and accelerate the extension of the marketing network, as well as further tapping into the products' market potential.

During the Reporting Period, the Group continued to focus on expanding its network of key opinion leaders in key therapeutic areas. Key opinion leaders' views on products help to lend credibility to marketing and promotion efforts of the Group. Meanwhile, the Group has also been focusing on increasing academic promotion activities. The Group successfully organised various national and provincial medical or pharmaceutical conferences, symposiums and product seminars. These activities were aimed at raising awareness and strengthening recognition of the Group's products.

As of 31 December 2014, the Group sold products through its nationwide marketing, promotion and channel management services networks to over 28,500 hospitals and other medical institutions and over 102,000 pharmacies across 31 provinces, municipalities and autonomous regions in China.

3. Significant Investment

Investment in Covex

Covex is a Spanish company engaged in the chemical and pharmaceutical business, and manufactures API raw materials, pharmaceutical products and dietary supplements. On 16 May 2014, pursuant to the exercise of a call option, Pioneer Pharma (Singapore) Pte. Ltd. ("Pioneer Singapore"), a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Pioneer Pharma Shareholding Company Limited ("Pioneer Pharma"), a company majority owned by Mr. Li Xinzhou and his spouse, pursuant to which Pioneer Singapore agreed to acquire, and Pioneer Pharma agreed to sell, 2,095,841 shares of Covex, representing approximately 24.0% of the entire issued share capital of Covex, for a total consideration of EUR1,450,000.

On 1 July 2014, Pioneer Singapore, entered into a share acquisition agreement with Memory Secret S.L. (the "Seller"), pursuant to which Pioneer Singapore acquired, and the Seller sold the entire issued share capital of a company incorporated in Spain (the "Target") that held approximately 44.6% equity interest in Covex for a consideration of EUR2,905,000. Following completion of the share acquisition, Pioneer Singapore held an aggregate of approximately 68.6% of the equity interest in Covex. In addition, on 1 July 2014, Pioneer Singapore entered into a debt acquisition agreement with the creditors of the Target and Covex (the "Creditors"), pursuant to which Pioneer Singapore acquired, and the Creditors sold, certain debts with an aggregate face value of EUR18.6 million owed by the Target and Covex for a consideration of EUR7.0 million.

The management expect that, through the Covex acquisition, the Group will be able to obtain stable, high quality Vinpocetine API at a low cost. Meanwhile, the debt acquisition by the Group enabled the receivership proceedings against Covex to come to an end, which in turn strengthened the financial position of Covex, and facilitated further development of its business and operations. The acquisition is expected to benefit the revenue and the profit of the Group.

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 obtained the exclusive right to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year. As of 31 December 2014, the Group held 7,613,812 NovaBay Shares in total, representing approximately 14.7% equity interest in NovaBay calculated based on the total number of NovaBay's outstanding shares of 51,650,015 as of 31 December 2014.

The management believes that this investment will allow the Group to enhance its business relationship with NovaBay and to provide for future opportunities to cooperate with NovaBay.

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 obtained the exclusive right to market, promote and sell QualiMed's 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 the exclusive right granted by QualiMed for certain products, the Group made various investments in QualiMed holding company, 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.

On 31 December 2013, Pioneer Singapore, entered into a loan agreement ("Loan Agreement") with Q3 pursuant to which Q3 agreed not to request Pioneer Singapore to provide the Convertible Loan or to act as the guarantor for a bank loan of EUR1,500,000 as previously agreed under the investment agreement between Pioneer Singapore and Q3 dated 17 April 2013. Instead, Pioneer Singapore agreed to grant to Q3 a EUR1,500,000 loan repayable by 31 December 2016. On 14 January 2014, a supplemental agreement ("Supplemental Agreement of Loan Agreement") was entered into fixing the interest rate of the loan at 10% per annum. On 11 July 2014, Pioneer Singapore entered into an agreement with Q3 pursuant to which Pioneer Singapore subscribed for 39,005 shares of Q3 at a consideration of EUR3 million.

As of 31 December 2014, the Group held approximately 33.0% equity interest in Q3.

FUTURE AND OUTLOOK

The year 2014 was the first full fiscal year for the Group since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Under numerous external pressures of complicated and changeable pharmaceutical policies and market environment, the Group still achieved sound development by adhering to the faith of "Vision, Action and Perseverance". The Group will continue to strengthen its position as a leading marketing, promotion and channel management service provider dedicated to 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. The Group will further expand its product portfolio or industrial chain through equity acquisition or strategic investments in addition to entering into long term agreements when granted marketing and promotion rights for products.

The Group will continue to improve operating details of each product business unit after the business structural reorganisation, and strengthen the support to, management and supervision of the third party promotion partners, in order to cultivate a more professional team consisting of an in-house marketing team and third party promotion partners. The Group also plans to continue to enhance the effectiveness of the Group's marketing and promotional activities by organizing more academic promotion events related to the Group's products, so as to improve layout of and accelerate the extension of the marketing network, as well as further tapping into the products market potential.

FINANCIAL REVIEW

Revenue

Revenue increased by 21.1% from RMB1,272.2 million in 2013 to RMB1,540.4 million in 2014. Revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services increased by 38.5% from RMB486.0 million in 2013 to RMB673.4 million in 2014, primarily due to (i) increased sales of certain of existing key products, including Fluxum, Polimod, Macmiror Complex and Macmiror, as a result of the expansion of coverage of these products through the marketing network; (ii) increased sales of products with vast market potential, including Neoton and Easyhaler, as a result of increased promotion efforts; (iii) increased sales of medical devices; and (iv) the overall growth of market demand for products. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 10.3% from RMB786.2 million in 2013 to RMB867.0 million in 2014, primarily due to increased promotion efforts for the eight 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 18.4% from RMB885.6 million in 2013 to RMB1,048.4 million in 2014, primarily due to a substantial increase in sales volume. Cost of sales for products sold via the provision of comprehensive marketing, promotion and channel management services increased by 44.8% from RMB211.4 million in 2013 to RMB306.1 million in 2014. Cost of sales for products sold via the provision of co-promotion and channel management service increased by 10.1% from RMB674.2 million in 2013 to RMB742.4 million in 2014.

Gross profit and gross profit margin

Gross profit increased by 27.2% from RMB386.6 million in 2013 to RMB491.9 million in 2014. The Group's average gross profit margin increased from 30.4% in 2013 to 31.9% in 2014, primarily due to a higher proportion at revenue derived from products sold via the provision of comprehensive marketing, promotion and channel management service, which generate higher margins. The sales of those products increased by 38.5% from 2013 to 2014, and accounted for 43.7% of the Group's total revenue in 2014 as compared to 38.2% in 2013.

The Group's gross profit margin from products sold via the provision of comprehensive marketing, promotion and channel management services decreased from 56.5% in 2013 to 54.5% in 2014, primarily due to an increase in sales of medical device products, which have relatively low profit margins. Sales of medical device products increased by 92.3% from 2013 to 2014.

The Group's gross profit margin from products sold via the provision of co-promotion and channel management services remained relatively stable at 14.4% in 2014 and 14.2% in 2013.

Other income

The Group's other income increased by 3.9% from RMB49.4 million in 2013 to RMB51.4 million in 2014, primarily due to the increase in interest on bank deposits, which was partially offset by a decrease in the amount of government grants. The government grants amounting to RMB36.1 million in 2013 were additional grants received by the Group's wholly-owned subsidiary Naqu Area Pioneer Pharma Co.,Ltd ("Naqu Pioneer") in respect of taxes paid pursuant to local government's policies to encourage local business operations. In 2014, The Group received government grants amounting to RMB9.4 million, representing a 73.8% decrease compared to the amount received in 2013 due to the temporary suspension of the refund policies.

Distribution and selling expenses

Distribution and selling expenses increased by 50.0% from RMB101.8 million in 2013 to RMB152.7 million in 2014. Distribution and selling expenses as a percentage of revenue increased from 8.0% in 2013 to 9.9% in 2014, primarily due to an increase in the storage fees and drug test fees for the inventories whose registration certificates were due for renewal, an increase in consolidated distribution and sales expenses resulting from the newly-acquired Spanish company Covex, sales expansion and increase in promotion efforts, and salaries and employee benefits for our personnel engaged in sales marketing and distribution activities.

Administrative Expenses

Administrative expenses increased by 72.2% from RMB33.6 million in 2013 to RMB57.8 million in 2014, primarily due to an increase in average salaries and benefits for management and administrative staff consistent with the Group's expanded business activities and an increase in the consolidated administrative expenses, the depreciation cost and amortization of intangible assets of the newly-acquired Spanish company, Covex. Administrative expenses as percentage of revenue increased from 2.6% in 2013 to 3.8% in 2014.

Finance costs

Finance costs increased by 11.5% from RMB12.7 million in 2013 to RMB14.1 million in 2014 primarily due to increased average balance of bank borrowings.

Income tax expense

Income tax expense increased by 19.1% from RMB36.7 million in 2013 to RMB43.7 million in 2014. The Group's effective income tax rate in 2014 and 2013 was 14.4% and 13.5%, 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%. Income tax expense in 2014 included the recognition of RMB12.0 million of PRC withholding tax pursuant to the payment of an interim dividend of RMB113.5 million and proposed payment of a final dividend of RMB114.0 million.

Profit for the year

As a result of the above factors, the Group's profit increased by 10.7% from RMB235.8 million in 2013 to RMB261.0 million in 2014. Excluding the effects of acquiring a controlling equity stake and the debt restructuring of Covex Group of Spain (including foreign exchange losses and the consolidated profit or loss account) amounting to a loss of RMB3.8 million and combined with the investment loss on an associate company, Q3 amounting to RMB15.3 million, the total effect amounted to RMB19.1 million. Therefor the adjusted net profit of the Group amounted to RMB280.1 million in 2014. The Group's net profit margin decreased from 18.5% in 2013 to 16.9% in 2014.

Liquidity and Capital Resources

Cash Position

The Group has historically met its working capital and other capital requirements principally from net cash flow supplemented by bank borrowings. The Group's cash and cash equivalents decreased from RMB702.1 million as of 31 December 2013 to RMB260.8 million as of 31 December 2014.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2014:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash from (used in) operating activities	**(17,778)**	47,937
Net cash from (used in) investing activities	**(348,694)**	(112,568)
Net cash from (used in) financing activities	**(70,996)**	706,475
Net increase (decrease) in cash and cash equivalents	**(437,468)**	641,844
Cash and cash equivalent at beginning of the year	**702,073**	59,559
Effect of foreign exchange rate changes	**(3,771)**	670
Cash and cash equivalents at end of the year	**260,834**	702,073

Net cash from (used in) operating activities

In 2014, the Group's net cash used in operating activities was RMB17.8 million compared to net cash from operating activities of RMB47.9 million in 2013. This was mainly due to the increase in certain products' inventories whose registration certificates were due for renewal and the decrease in government grants.

Net cash from (used in) investing activities

In 2014, the Group's net cash used in investing activities was RMB348.7 million compared to net cash used in investing activities of RMB112.6 million in 2013. This was mainly due to an increase in pledged bank deposits and the investment into related parties.

Net cash from (used in) financing activities

In 2014, the Group's net cash used in financing activities was RMB71.0 million compared to net cash from financing activities of RMB706.5 million in 2013. This was mainly due to the payment of dividends during the year.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB610.4 million as at 31 December 2014 compared to RMB429.5 million as at 31 December 2013. On 31 December 2014, the effective interest rate of the Group's bank borrowings was ranging from 1.20% to 7.28%, and 15.8% of the Group's bank borrowings were denominated in Renminbi while 84.2% were denominated in US Dollars. On 31 December 2014, bank borrowings of RMB520.4 million were secured under the pledge of the Group's bills receivables and bank deposits. On 31 December 2013, bank borrowings of RMB333.8 million were secured by the pledge of the Group's bank deposits and bills receivables. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 23.9% as at 31 December 2014 compared to 21.5% as at 31 December 2013.

Net Current Assets

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current Assets		
Inventories	**619,969**	419,844
Finance lease receivables	**18,604**	4,733
Trade and other receivables	**576,046**	331,028
Trust investments	**10,000**	–
Amounts due from related parties	**7,370**	–
Tax recoverable	**–**	192
Prepaid lease payments	**52**	52
Structured note	**–**	19,829
Pledged bank deposits	**518,374**	304,282
Certificate of deposit	**–**	60,000
Bank balances and cash	**260,834**	702,073
	2,011,249	1,842,033
Current Liabilities		
Trade and other payables	**473,700**	360,742
Amounts due to related parties	**35,204**	10,603
Tax liabilities	**14,741**	424
Bank and other borrowings	**610,416**	429,545
Provision	**4,715**	4,222
Derivative financial instrument	**83,087**	–
Obligations under finance lease	**690**	–
	1,222,553	805,536
Net Current Assets (Liabilities)	**788,696**	1,036,497

As of 31 December 2014, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances increased from RMB419.8 million as at 31 December 2013 to RMB620.0 million as at 31 December 2014, primarily due to the significant increase in our business volume pursuant to which we increased our overall inventory levels in order to accommodate the increasing number of hospitals covered by our network, and the increase in inventories of those products whose registration certificates were due for renewal.

Trade and Other Receivables

The Group's trade and other receivables increased from RMB331.0 million as at 31 December 2013 to RMB576.0 million as at 31 December 2014, primarily due to the substantial growth of sales income in 2014, the increase in borrowing to associated enterprises and the effect of consolidation of the newly-acquired subsidiary. Simultaneously, trade receivables turnover days increased from 48.4 days as at 31 December 2013 to 73.0 days as at 31 December 2014, primarily due to the relatively long credit period for medical devices, sales of which have been expanding since 2014.

Trade and Other Payables

The Group's trade and other payables increased from RMB360.7 million as at 31 December 2013 to RMB473.7 million as at 31 December 2014. 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 increased from 116.0 days as at 31 December 2013 to 123.7 days as at 31 December 2014, primarily due to the increase of inventory driven by the expansion of sales and the products whose registration certificates were due for renewal.

Capital Expenditure

The following table sets out our capital expenditure for the periods indicated:

	For the year ended 31 December	
	2014 RMB'000	2013 RMB'000
Purchases of property, plant and equipment	**39,477**	16,032
Purchases of intangible assets	**6,314**	–
Total	**45,791**	16,032

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 2014			
Bank borrowings	610,416	–	610,416
Trade payables	391,730	21	391,751
As of 31 December 2013			
Bank borrowings	429,545	–	429,545
Trade payables	318,618	–	318,618

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2014.

Market Risks

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

SUBSEQUENT EVENTS

On 19 November 2014, the Group through its wholly-owned subsidiary entered into a share acquisition agreement with Dianbai County Fuhong Investment Co., Ltd ("Dianbai Fuhong") and guarantors, pursuant to which 51% equity interest in Shenyang Zhiying was acquired at a consideration to be determined based on a profit-earnings multiple of 14 times the amount of audited net profit of Shenyang Zhiying attributable to the sale interest for the year ended 31 December 2014.

Subsequent to the completion of the acquisition of Shenyang Zhiying on 30 December 2014, the Group was unable to reach consensus with Shenyang Huachuang Investment Company Limited, which holds 49% equity interest in Shenyang Zhiying, on the future strategic direction of the Shenyang Zhiying including but not limited to the proposed termination of certain distribution agreements signed by Shenyang Zhiying. The Group take the view that as a result of the difference in opinion, it would be impossible or extremely difficult to integrate Shenyang Zhiying into the Group successfully in a timely manner and therefore the previously expected benefits of the acquisition will be materially and substantially undermined. On 13 March 2015, the Group through its wholly-owned subsidiary and Dianbai Fuhong entered into a share transfer agreement, pursuant to which 51% equity interest in Shenyang Zhiying was disposed at the same consideration as stipulated under the share acquisition agreement dated 19 November 2014. The share transfer was completed on 18 March 2015.

Dividend

For the year ended 31 December 2014, the aggregate amount of the interim dividend of 2014 and the final dividend of year ended 31 December 2013 was respectively RMB113.5 million and RMB142.5 million. The Board resolved to recommend the payment of a final dividend of RMB8.5 cents per share (equivalent to HK10.7 cents per share), subject to the approval of the Shareholders in the forthcoming annual general meeting to be held on 8 May 2015.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2014, the Group had a total of 351 employees. For the year ended 31 December 2014, the staff costs of the Group was RMB52.5 million as compared to RMB35.4 million for the year ended 31 December 2013.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals 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 suffer from any material labor dispute during the year ended 31 December 2014.

Director and Senior Management

EXECUTIVE DIRECTORS

LI Xinzhou (李新洲), aged 52, is our chairman and executive Director as at the date of this annual report. Mr. Li is the founder of our Group and joined Pioneer Pharma Shareholding Company Limited ("Pioneer Pharma"), our initial corporate entity, in July 1996 as its general manager and chairman, responsible for managing the operations and planning and formulating our Group's strategies. Mr. Li has over 18 years of experience in the pharmaceutical services industry. Under Mr. Li's leadership, our Group has received numerous awards and recognitions. In addition, Mr. Li has been the Asia-Pacific Advisor to the board of directors of NovaBay, one of our suppliers and also a company in which we held approximately 14.7% equity interest as at the 31 December 2014, since October 2012, providing his vision and strategic thinking for the entry of NovaBay's products into China and Southeast Asia markets as well as thoughts with respect to the collaboration between NovaBay and our Group. Mr. Li has become the chairman of the board of Covex since July 2014, one of our suppliers and also a non-wholly-owned subsidiary of our Group.

Mr. Li also has over 21 years of experience in international trading and management. Prior to joining our Group, Mr. Li worked at the Hainan branch of Sumitomo Corporation. From August 1984 to August 1988, Mr. Li worked as an English translator at China Offshore Oil Nanhai West Corporation (中海油南海西部公司) and from July 1981 to August 1984, he worked as an English teacher at Jianghan Oil Field Dongfanghong High School (江漢油田東方紅學校). Mr. Li had held various positions in trade associations throughout the years. He was the vice chairman of the Hainan General Chamber of Commerce (海南省總商會) and the standing vice president of Hainan Hubei Chamber of Commerce (海南省湖北商會). He had also served as a member of the Chinese People's Political Consultative Conference Hainan Committee (海南省政協). Mr. Li graduated from Jianghan Petroleum Normal School (江漢石油師範學校) with a diploma in English in July 1981. He also studied at the China Europe International Business School (中歐國際工商學院). Mr. Li is also the chairman of Nomination Committee.

WANG Yinping (王引平), aged 53, is our executive Director and chief executive officer as at the date of this annual report. Mr. Wang joined our Group in January 2015. Mr. Wang is very experienced in corporate management. He joined Sinochem Import and Export Corporation (中國化工進出口總公司) (now known as China Sinochem Group Corporation (中國中化集團公司), "Sinochem Group") in 1987. Since then, he had taken various senior positions within the group of Sinochem Group until 2014, when he resigned as the vice president of Sinochem Group. During the 27 years he spent with Sinochem Group, Mr. Wang had taken the following major positions. From 1988 to 1992, Mr. Wang was the vice general manager of Sinochem Group Hainan Company (中化集團海南公司). From 1993 to 1997, he was the general manager of Sinochem Group Pudong Company (中化集團浦東公司). From 1997 to 1998, he was the vice general manager of China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信托有限公司), a member company of the group of Sinochem Group. From 1998 to 1999, he was the general manager of the human resources department of Sinochem Group. During this period, he was also the vice president of Sinochem Group. From 2001 to 2004, he was the general manager of Sinochem International Trade Co., Ltd. (中化國際貿易股份有限公司) (now known as Sinochem International Corporation (中化國際(控股)股份有限公司)), a company listed on the Shanghai Stock Exchange with the stock code of 600500. During the same period, he was also the director of the board of Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company listed on the Hong Kong Stock Exchange with the stock code of 3328 and on the Shanghai Stock Exchange with the stock code of 601328. In 2005, he was re-appointed as the vice president of Sinochem Group. During 2010 to 2014, he was also the chairman of the board of China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司), the chairman of the board and general manager of Sinochem Lantian Co., Ltd. (中化藍天集團有限公司), and the chairman of the board of Zhejiang Int'l Group Co., Ltd (浙江英特集團股份有限公司), a company listed on the Shenzhen Stock Exchange with the stock code of 000411. Mr. Wang graduated from Renmin University of China (中國人民大學) with a bachelor's degree in law in 1985. He also received an MBA degree from China Europe International Business School (中歐國際工商學院) in 2004.

ZHU Mengjun (朱夢軍), aged 44, is our executive Director and chief financial officer. Mr. Zhu joined our Group in March 1998 and served as Pioneer Pharma's chief accountant and manager of finance department between 1998 and 2002. Mr. Zhu was appointed as the chief financial officer of Pioneer Pharma in February 2002, the deputy general manager in January 2004 and a director of Pioneer Pharma in August 2006. He is responsible for the financial and accounting management of our Group.

Mr. Zhu has over 18 years of experience in accounting and corporate finance. Prior to joining our Group, Mr. Zhu worked at Shanghai Yangtze Non-ferrous Metals Co., Ltd. (上海長江有色金屬有限公司). Mr. Zhu obtained a master's degree of professional accountancy in The Chinese University of Hong Kong in December 2007. Mr. Zhu was awarded a certificate of accounting professional (mid-level) by Shanghai Hongkou Finance Bureau (上海市虹口財政局) in September 2002 and has been a member of the Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) since April 1998.

NON-EXECUTIVE DIRECTOR

WU Mijia (吳米佳), aged 41, is our non-executive Director. Mr. Wu joined our Company in October 2013. Mr. Wu has over 11 years of experience in finance and investment. He has been the managing director of Shanghai Ceton Investment Management (上海策通投資管理有限公司) since June 2008. Prior to that, Mr. Wu served as a director at UBS AG, Hong Kong Branch between May and August in 2007 and a vice president at BNP Paribas Hong Kong between September 2005 and December 2006. He was an assistant vice president at ABN AMRO Bank (China) Co., Ltd. where he worked between October 2002 and June 2005. Mr. Wu graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) with a bachelor's degree in international business in June 1996. Mr. Wu obtained a master's degree in business administration in the Manchester Business School of University of the Manchester in June 2001 and an executive master's degree in business administration in Cheung Kong Graduate School of Business (長江商學院) in October 2012. Mr. Wu is a member of the Audit Committee and Remuneration Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

XU Zhonghai (徐中海), aged 53, is our independent non-executive Director. Mr. Xu joined our Company in October 2013. Mr. Xu has been a professor in chemistry at Yueyang Vocational Technical College (岳陽職業技術學院) since March 1998. Prior to that, Mr. Xu worked at Tibet Autonomous Region Health Department (西藏自治區衛生廳) until March 1998, mainly responsible for management of professional medical staff and assessment of medical technical qualification, and a chief inspector at Tibet Autonomous Region Health and Epidemic Prevention Station (西藏自治區衛生防疫站) starting in March 1989, mainly responsible for inspection of environmental sanitation and food hygiene. From July 1986 and March 1989, Mr. Xu worked as a teacher at Tibet Autonomous Region Nyingchi Area Middle School (西藏自治區林芝地區中學). Mr. Xu graduated from Hunan Normal University (湖南師範大學) with a bachelor's degree in chemistry in July 1986 and a master's degree in analytical chemistry in January 2008. Mr. Xu was awarded a professor title by Hunan Province Human Resources Department (湖南省人事廳) in November 2008. Mr. Xu is the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

LAI Chanshu (賴展樞), aged 67, is our independent non-executive Director. Mr. Lai joined our Company in October 2013. Mr. Lai is experienced in the pharmaceutical industry. He worked as the general manager Taiwan market at Alcon Pharmaceuticals Ltd. (愛爾康藥品(股份)公司) between January 1975 and February 2002. Mr. Lai graduated from Taipei Medical University (臺北醫學大學) with a bachelor's degree in pharmacy in June 1971. Mr. Lai has been a registered pharmacist registered with the Department of Health of Republic of China (中華民國行政院衛生署) since April 1972. Mr. Lai is a member of the Remuneration Committee and a member of the Nomination Committee.

WONG Chi Hung, Stanley (黃志雄), aged 52, is our independent non-executive Director. Mr. Wong joined our Company in October 2013. Mr. Wong has experience in auditing, accounting and financial advisory services. He was appointed as the director of KBS Fashion Group Limited (formerly known as Aquasition Corp.), a company listed on the NASDAQ (stock quote: KBSF) since August 2014 and resigned on 15 March 2015. He has been an independent non-executive director of Great Wall Motor Company Limited, a company listed on the Stock Exchange (stock code: 2333) and Shanghai Stock Exchange (stock code: 601633) since November 2010. Mr. Wong has served as a chief financial officer of Hongri International Holdings Company Limited (紅日國際控股有限公司) since November 2009. He served as a chief executive officer of China Biologic Products, Inc. between March 2007 and May 2008 and a consultant of the same company between June 2008 and December 2008. Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a bachelor's degree in accounting from University of Kent (肯特大學) and an EMBA from Peking University (北京大學). He is also a qualified independent director recognised by the Shanghai Stock Exchange. Mr. Wong is the chairman of the Audit Committee.

SENIOR MANAGEMENT

HUANG Wenfei (黃文斐), aged 45, is our general manager of ophthalmology business unit. Ms. Huang joined our Group in 1998 and worked as a manager of our commerce department between 1998 and 2004 and a sales director in 2004. She was appointed as our deputy general manager in October 2004 and a director of Pioneer Pharma in April 2011, responsible for various aspects of our business, including human resources, administration, product registration, purchase, logistics, product quality, commerce and government affairs. In September 2014, Ms. Huang was promoted as a general manager of our ophthalmology business unit, responsible for the promotion and sales of all the ophthalmic products of our Group. Ms. Huang has nearly 21 years of working experience in the pharmaceutical industry. Prior to joining our Group, she worked at Shanghai Xudong Haipu Pharmaceutical Co., Ltd. (上海旭東海普藥業有限公司) and Shanghai Eighteenth Pharmaceutical (上海第十八製藥廠). Ms. Huang obtained an executive master's degree in business administration by Tongji University (同濟大學) in March 2009.

YANG Xiuyan (楊秀顏), aged 52, is our general manager of AW business unit. Ms. Yang joined our Group in December 1998 and worked as the manager for Shandong and Northern China area between 1998 and 2012. She was appointed as our deputy general manager and sales director in January 2013 and was responsible for the sales and marketing of our Group, in particular in the Northern Yangtze River area. In September 2014, Ms. Yang was promoted as a general manager of AW Business Unit, and is responsible for the promotion and sales of Alfa Wassermann's products of our Group. She has nearly 16 years working experience in the pharmaceutical industry. Prior to joining our Group, Ms. Yang worked at Boli People's Hospital of Heilongjiang Province (黑龍江省勃利人民醫院). Ms. Yang was awarded with a bachelor's degree in clinical medicine by the Binzhou Medical University (濱州醫學院) in July 1986.

SHI Gang (施剛), aged 41, is our general manager of FLEET & Domestic products business unit. Mr. Shi joined our Group in March 2005 and was appointed as our sales director in March 2008, a deputy general manager in May 2009 and a director of Pioneer Pharma in April 2011. Mr. Shi has been responsible for the sales and marketing of our products, in particular in Southern Yangtze River area. In September 2014, Mr. Shi was promoted as the general manager of FLEET & Domestic products business unit, and is responsible for the promotion and sales of Fleet and domestic products of our Group. He has over 9 years working experience in the pharmaceutical industry. Mr. Shi was a doctor at Shanghai Jing'an District Centre Hospital (上海市靜安區中心醫院) starting in July 1997. Mr. Shi was awarded with a bachelor's degree in basic medicine science by Shanghai Medicine College (上海醫科大學) in July 1997 and an executive master's degree in business administration by Fudan University (復旦大學) in June 2011.

WANG Tao (汪韜), aged 44, is our general manager of Easyhaler & Neutrophase business unit. Mr. Wang joined our Group in September 2001 and worked as a product manager and marketing manager between September 2001 and December 2002. Mr. Wang was appointed as our marketing director in January 2003, responsible for formulating and implementing marketing plans and strategies, training and supporting sales team in marketing activities, as well as preparing promotion tools. In September 2014, Mr. Wang was promoted as the general manager of Easyhaler & Neutrophase Products Business Unit, and is responsible for the promotion and sales of Easyhaler series products and Neutrophase. Mr. Wang has over 15 years working experience in the pharmaceutical industry. Prior to joining our Group, Mr. Wang worked at Shanghai Hanyin Pharmaceutical Co., Ltd. (上海漢殷藥業有限公司) between January 1999 and September 2001. Mr. Wang was awarded with a bachelor's degree in clinical medicine by Xinxiang Medical University (新鄉醫學院) in July 1993 and an executive master's degree in business administration from Antai College of Economics and Management of Shanghai Jiao Tong University (上海交通大學安泰管理學院) in December 2011.

WANG Juming (王炬明), aged 53, is our general manager of Polichem business unit. Mr. Wang joined our Group in September 2014, and was appointed as our general manager of Polichem business unit and is responsible for the promotion and sales of Polichem products of our Group. Mr. Wang has over 21 years of working experience in pharmaceutical industry. Prior to joining the group, Mr. Wang worked at Shaanxi Sino German Hiympt Pharmaceutical Co., Ltd (陝西中德合資海姆普德製藥有限公司) from 1991 to 1994, and worked at Shenzhen Jianmin Pharmaceutical Co., Ltd. (深圳健民醫藥有限公司) from 1994 to 1996. From 1996 to 1998, Mr. Wang worked in Shenzhen Xiannuo Pharmaceutical Factory (深圳先諾製藥廠). From 1998 to 2003, Mr. Wang worked in Suzhou Fourth Pharmaceutical Factory Preparation Plant (蘇州第四製藥廠製劑分廠). Mr. Wang was graduated from the Shaanxi University Chinese Medicine School (陝西中醫學院) with bachelor's degree in medicine in July 1985.

SHAO Jin (邵錦), aged 38, is our director of Difene business unit. Mr. Shao joined our Group in July 2004 and worked as a sales supervisor of south China area and a manager of greater Southern China from 2004 to 2009. He was appointed as the OTC director in 2009. In September 2014, Mr. Shao was promoted as the director of Difene business unit, and is responsible for the promotion and sales of Difene of our Group. Mr. Shao has over 13 years of experience in the pharmaceutical industry. Mr. Shao received an executive master's degree in business administration from Zhongnan University of Economics and Law (中南財經政法大學) in 2013.

LAI Weijuan (賴維娟), aged 26, is our director of Covex Vinpocetine business unit. Ms. Lai joined the Group in 2012, and worked as the chief representative, responsible for market analysis and purchasing management of Vinpocetine API, and the overseas investment of our Group from 2012 to March 2014. Ms. Lai was appointed as the general manager of Covex S.A in April 2014. In October 2014, Ms. Lai was promoted as the director of Covex Vinpocetine business unit and is responsible for the operation of Covex S.A and the promotion and sales of Vinpocetine API in China. Ms. Lai has abundant experience in international trade.

LIU Xuefeng (劉雪峰), aged 39, is our business development director. Mr. Liu joined our Group in September 2008 and was appointed as our business development director in April 2012, mainly responsible for sourcing new products and exploring business opportunities. Mr. Liu has over 10 years working experience in the pharmaceutical industry. Prior to joining our Group, Mr. Liu was a medical representative at AstraZeneca (Wuxi) Trading Co. Ltd. (阿斯利康(無錫)貿易有限公司) between January 2008 and August 2008, responsible for promoting medical and pharmaceutical products knowledge to customers. Mr. Liu worked as an assistant secretary-general and head of international council at Chinese Society of Biochemistry and Molecular Biology (中國生物化學與分子生物學會) starting in July 2005. Between August 1999 and September 2002, he worked at Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司). Mr. Liu was awarded with a bachelor's degree in biopharming by China Pharmaceutical University (中國醫科大學) in July 1999 and a master's degree in microbiology and biochemical pharmacy by Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in July 2005.

WANG Rongrong (王榮榮), aged 36, is our national director of commerce department. Ms. Wang joined our Group in July 2004, and worked as a manager of commerce department from September 2006 to August 2014. In September 2014, Ms. Wang was promoted as our national director of commerce department. Ms. Wang is mainly responsible for bidding, pricing, receivables management and channel management and other business related work. Ms. Wang has more than 15 years of working experience in pharmaceutical industry. Prior to joining the Group, Ms. Wang worked in Hainan Sanye Pharmaceutical Group (海南三葉醫藥集團). Ms. Wang received a bachelor's degree in biological engineering in June 2000, and a licensed pharmacist qualification certificate in 2005.

JOINT COMPANY SECRETARY

MIN Le (閔樂), aged 33, is a joint company secretary of the Company. Mr. Min joined our Group in July 2013 and serves as the secretary of the Board. Mr. Min is a PRC non-practising certified public accountant and has over 6 years of experience in the financing and accounting field. Mr. Min worked as the chief accountant at Carrefour (China) Management & Consulting Service Co., Ltd. between October 2011 to June 2013, mainly responsible for preparing budgets and financial closing and designing, streamlining and improving financial and accounting process. Prior to that, he worked at Shanghai Zhonghua Certified Public Accountants (上海眾華滬銀會計師事務所) as a project manager between March 2006 and September 2011, mainly responsible for annual financial auditing and financial consulting. Mr. Min graduated from the East China University of Science and Technology (華東理工大學) with a bachelor's degree in environmental engineering in June 2003 and from the Tong Ji University (同濟大學) with a master's degree in environmental engineering in March 2006.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

GLOBAL OFFERING

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the provision of comprehensive marketing, promotion and channel management service for imported pharmaceutical products and medical devices in China. The analysis of the revenue of the principal activities of the Group during the year ended 31 December 2014 is set out in the note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated Statement of Profit or Loss and Other Comprehensive Income on page 54 of this annual report.

FINAL DIVIDENDS

The Board, during its meeting held on Tuesday, 24 March 2015 recommended the payment of a final dividend of RMB0.085 (equivalent to HKD0.107) per Share for the year ended 31 December 2014 (2013: RMB0.107) to the Shareholders whose names appear on the Company's register of members on Thursday, 14 May 2015. The final dividend will be payable on or after Thursday, 21 May 2015 and is subject to the approval of Shareholders at the forthcoming AGM to be held on Friday, 8 May 2015.

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 28 April 2015 (Tuesday) to 8 May 2015 (Friday), both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the forthcoming AGM to be held on 8 May 2015 (Friday). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 27 April 2015 (Monday).

The register of members of the Company will also be closed on 14 May 2015 (Thursday), in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 13 May 2015 (Wednesday).

FINANCIAL SUMMARY

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

USE OF NET PROCEEDS FROM LISTING

As at 31 December 2014, the Group applied the net proceeds from the Listing (after deducting underwriting fees and related listing expenses), which amounted to approximately HKD1,307.8 million, in the manner consistent with that as disclosed in the Company's prospectus (the "Prospectus") dated 24 October 2013.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2014, the Group's products purchased from the largest supplier, accounted for 68.8% (2013: 80.5%) of total products purchased, and products purchased from five largest suppliers accounted for 93.3% (2013: 93.1%) of our total products purchased.

For the year ended 31 December 2014, the Group's sales to largest customer accounted for 3.8% (2013: 4.2%) of our revenue, and sales to the five largest customers accounted for 16.2% (2013: 17.2%) of our total revenue.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2014 are set out in note 16 to the consolidated financial statements.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2014 are set out in note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2014 are set out on page 58 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands and the Company's articles of associations, amounted to approximately RMB169.0 million (as at 31 December 2013: RMB166.6 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 32 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2014 and up to the date of this report were:

Executive Directors:

Mr. Li Xinzhou *(Chairman)*
Mr. Wang Yinping *(Chief Executive Officer)* (appointed on 1 January 2015)
Mr. Zhu Mengjun *(Chief Financial Officer)*

Non-executive Directors:

Mr. Lu Yuan (resigned on 1 January 2015)
Mr. Wu Mijia
Mr. Zhang Wenbin (resigned on 1 January 2015)

Independent non-executive Directors:

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

In accordance with article 104(1) of the articles of association of the Company, Mr. Li Xinzhou and Mr. Wu Mijia will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

In accordance with article 99(3) of the articles of association of the Company, Mr. Wang Yinping shall retire from office, and being eligible, has offered himself for election as Director at the forthcoming AGM.

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

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 28 to 32 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2014 and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Each of the executive Directors (save for Mr. Wang Yinping) has entered into a service agreement with the Company on 16 October 2013 for a term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Wang Yinping entered into service agreement with the Company for a term of three years commencing from 1 January 2015, and may be terminated by not less than one month's notice in writing served by either party to the other.

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 31 to the consolidated financial statements and in the section "Connected transactions" below, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2014.

EMPLOYEES AND EMOLUMENT POLICY

As of 31 December 2014, the Group had an aggregate of 351 full-time employees. The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, up to the date of this report, changes in Directors information are set out below.

Mr. Wong Chi Hung, Stanley, an independent non-executive Director, was appointed as the director of KBS Fashion Group Limited (formerly known as Aquasition Corp.), a company listed on the NSADAQ (stock quote: KBSF) on 1 August, 2014 and resigned on 15 March, 2015. He ceased to be an independent non-executive director of Ping Shan Tea Group Limited (formerly known as Huafeng Group Holdings Limited) with effect from 31 July 2014.

Mr. Zhu Mengjun, an executive Director, has ceased to use the position title as a deputy general manager of the Company with effect from 19 December 2014.

Mr. Li Xinzhou has resigned as the chief executive officer of the Company with effect from 1 January 2015.

Mr. Lu Yuan and Mr. Zhang Wenbin have resigned as a non-executive director of the Company with effect from 1 January 2015. Mr. Zhang Wenbin ceased to be a member of Remuneration Committee upon his resignation.

Mr. Wang Yinping has been appointed as an executive director and the chief executive officer the Company with effect from 1 January 2015.

Mr. Wu Mijia, a non-executive director of the Company, has been appointed as a member of the Remuneration Committee with effect from 1 January 2015.

Save as disclosed above, up to the date of this report, there were no changes to information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

As at 31 December 2014, 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:

(i) Long position in the shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Li Xinzhou	Beneficial owner	9,652,000	0.72%
	Interest of controlled corporation[1]	948,054,000	71.10%
Zhu Mengjun	Beneficial owner	1,604,000	0.12%

Notes:

1. Mr. Li Xinzhou and his wife Ms. Wu Qian together own 100% of the issued share capital of Pioneer Pharma (BVI) Co., Ltd. which holds 948,054,000 shares in the Company.

(ii) Long position in the shares of associated corporation

Name of Director	Name of associated corporation	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Li Xinzhou	Pioneer Pharma (BVI) Co., Ltd.	Beneficial owner	2,425,000	48.99%
		Interest of spouse[1]	2,525,000	51.01%

Notes:

1. Mr. Li Xinzhou and his wife Ms. Wu Qian together own 100% of the issued share capital of Pioneer Pharma (BVI) Co., Ltd.

Save as disclosed above, as at 31 December 2014, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year ended 31 December 2014 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 December 2014, 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 Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wu Qian	Interest of spouse[(1)]	9,652,000	0.72%
	Interest of controlled corporation[(2)]	948,054,000	71.10%
Pioneer Pharma (BVI) Co., Ltd.	Beneficial owner	948,054,000	71.10%

Notes:

1. The 9,652,000 shares are held by Mr. Li Xinzhou, Ms. Wu Qian's husband.

2. Ms. Wu Qian and her husband Mr. Li Xinzhou together held 100% of the issued share capital of Pioneer Pharma (BVI) Co., Ltd. which holds 948,054,000 shares in the Company.

Save as disclosed above, and as at 31 December 2014, the Directors were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

NON-COMPETITION UNDERTAKING

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

The Controlling Shareholders have confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report for the year ended 31 December 2014. The independent non-executive Directors, after reviewing the deed of non-competition and whether the Controlling Shareholders have abided by the non-competition undertaking, confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking for the year ended 31 December 2014.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this report, as at 31 December 2014, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

CONNECTED TRANSACTION

Following the Listing, the transactions between the Group and certain connected persons of the Group became continuing connected transactions. The Company has applied and the Stock Exchange has granted a waiver from, among others, strict compliance with the announcement and/or Shareholders' approval requirements under Rule 14A.105 of the Listing Rules for the continuing connected transactions set out in the Prospectus.

Significant related party transactions entered into by the Group for the year ended 31 December 2014 are disclosed in note 31 to the consolidated financial statements. Details of some of the said related party transactions, which also constituted connected transactions of the Company required to be disclosed in accordance with Chapter 14A of the Listing Rules are listed as follows:

As disclosed in the Prospectus, Pioneer Pharma, has granted the Company (for itself and on behalf of other members of the Group) a call option to acquire Pioneer Pharma's entire equity interest in Covex from time to time pursuant to a call option deed dated 16 October 2013.

On 16 May 2014, pursuant to the exercise of the call option, Pioneer Singapore, a wholly-owned subsidiary of the Company, entered into a share purchase agreement with Pioneer Pharma, pursuant to which Pioneer Singapore will acquire, and Pioneer Pharma will sell, 2,095,841 Covex Shares, for a total consideration of EUR1,450,000 (the "Share Purchase Agreement"). The completion of the acquisition of Covex Shares under the Share Purchase Agreement is subject to the obtaining of all necessary approval from the shareholders of Covex S.A. and the relevant government agencies (where applicable). The acquisition was completed on 18 June 2014.

Pioneer Pharma is a connected person of the Company as it is majority owned by Mr. Li, the chairman, an executive Director and a controlling shareholder of the Company, and his spouse, Ms. Wu Qian. As such, the exercise of the call option and the acquisition under the Share Purchase Agreement constitute a connected transaction of the Company and is subject to reporting and announcement requirements under the Listing Rules.

The Directors (including all the independent non-executive Directors) are of the view that the terms of the Share Purchase Agreement and the transactions are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Directors confirm that the Company has complied with the disclosure requirement in accordance with Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

For the year ended 31 December 2014, the Group made no charitable and other donations.

POST BALANCE SHEET EVENTS

The material post balance sheet events are disclosed in note 45 to the audited consolidated financial statements in this annual report.

DISCLOSURE UNDER RULE 13.20 OF THE LISTING RULES

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

AUDIT COMMITTEE

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

The annual results for the year ended 31 December 2014 of the Company have been reviewed by the Audit Committee.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 43 to 52 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

Deloitte Touche Tohmatsu has acted as auditor of the Company for the year ended 31 December 2014.

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

On behalf of the Board
Mr. Li Xinzhou
Chairman

Hong Kong, 24 March 2015

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Save for the deviation disclosed in this report, the Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2014. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and he should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other engagements, Mr. Lu Yuan (resigned on 1 January 2015), Mr. Wu Mijia, Mr. Zhang Wenbin (resigned on 1 January 2015), Mr. Xu Zhonghai (chairman of remuneration committee), Mr. Lai Chanshu and Mr. Wong Chi Hung, Stanley (chairman of audit committee) were unable to attend the annual general meeting of the Company held on 9 May 2014.

THE BOARD

Responsibilities

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

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

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises three executive Directors, namely Mr. Li Xinzhou (the Chairman of the Company), Mr. Wang Yinping and Mr. Zhu Mengjun, one non-executive Director, namely Mr. Wu Mijia and three independent non-executive Directors, namely Mr. Xu Zhonghai, Mr. Lai Chanshu and Mr. Wong Chi Hung, Stanley. The biographies of the Directors are set out under the section headed "Director and Senior Management" of this annual report.

For the year ended 31 December 2014, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Under Rule 3.10A of the Listing Rules, listed issuers are required to appoint independent non-executive Directors representing at least one-third of the Board. The Company has three independent non-executive Directors currently representing over one-third of the Board and therefore the Company has complied with Rule 3.10A of the Listing Rules.

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

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

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

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

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

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

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

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

Induction and Continuous Professional Development

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

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the year of 2014, all Directors participated in continuous professional development to develop and refresh their knowledge and skills in compliance with Code A.6.5 of the CG Code. The Company's external lawyers had facilitated directors' training by the provision of presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received this training. The joint company secretaries of the Company from time to time update and provide written training material relating to the roles, functions and duties of a Director and all the aforesaid Directors study such materials, and they are asked to submit a signed training record to the Company on an annual basis.

Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals. Under the organization structure of the Company as at 31 December 2014, Mr. Li Xinzhou is the chairman of the Board and chief executive officer of the Company. On 1 January 2015, Mr. Li Xinzhou has resigned as the chief executive officer of the Company with an aim to achieve better corporate governance of the Company. Mr. Wang Yinping, an executive Director, has been appointed as the chief executive officer of the Company in place of Mr. Li Xinzhou. Therefore the Company has complied with code provision A.2.1 of the CG code as at the date of this annual report.

Appointment and Re-Election of Directors

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

Mr. Wang Yinping has entered into a service agreement with the Company for a term of three years commencing from 1 January 2015, which may be terminated by not less than one month's notice in writing served by either party on the other.

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

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

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

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

Board Meetings

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

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

For the year ended 31 December 2014, 6 board meetings and 1 general meetings (2014 AGM) were held and the attendance of the individual Directors at this meeting is set out in the table below:

	Attended/Eligible to attend	
Directors	Board Meeting	Annual General Meeting
Mr. Li Xinzhou	6/6	1/1
Mr. Zhu Mengjun	6/6	1/1
Mr. Lu Yuan[(1)]	6/6	0/1
Mr. Wu Mijia	6/6	0/1
Mr. Zhang Wenbin[(1)]	6/6	0/1
Mr. Xu Zhonghai	6/6	0/1
Mr. Lai Chanshu	6/6	0/1
Mr. Wong Chi Hung, Stanley	6/6	0/1

Notes:

1. Mr. Lu Yuan and Mr. Zhang Wenbin have resigned as a non-executive director of the Company with effect from 1 January 2015.

During the year, the chairman of the Company held one meeting with the non-executive Directors (including the independent non-executive Directors) without the other executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he has complied with the Model Code for the year ended 31 December 2014.

Delegation by the Board

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

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

Corporate Governance Function

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

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

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

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

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

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

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

For the year ended 31 December 2014, the Company has updated the compliance manuals on notifiable transactions and inside information in accordance with the Listing Rules as guideline for its employees to report unpublished inside information to the Company to ensure consistent and timely disclosure and fulfillment of the Company's continuous disclosure obligations.

BOARD COMMITTEES

Nomination Committee

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

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

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

For the year ended 31 December 2014, 1 meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

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

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

Remuneration Committee

As at 31 December 2014, the Remuneration Committee comprises three members, namely Xu Zhonghai (chairman), Mr. Zhang Wenbin and Mr. Lai Chanshu, the majority of them are independent non-executive Directors. Mr. Wu Mijia has been appointed as a member of Remuneration Committee on 1 January 2015, in place of Mr. Zhang Wenbin who has ceased to be a member of Remuneration Committee with effect from 1 January 2015.

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

For the year ended 31 December 2014, 1 meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

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

Notes:

1. Mr. Zhang Wenbin has resigned as a non-executive director of the Company with effect from 1 January 2015. and ceased to be a member of Remuneration Committee upon his resignation.

The Remuneration Committee reviewed the service agreement and terms of office of Mr. Wang Yinping in relation to his appointment as executive director and chief executive officer.

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

Details of the remuneration by band of the 9 members of the senior management of the Company, whose biographies are set out on pages 30 to 32 of this annual report, for the year ended 31 December 2014 are set out below:

Remuneration band (RMB'000)	Number of individual
Less than 500	5
500–1,000	4

Audit Committee

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

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

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

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

For the year ended 31 December 2014, 2 meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

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

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

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

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2014 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

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

INTERNAL CONTROL

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

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

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

AUDITOR'S REMUNERATION

During the year, the auditor of the Group charged HK$3.1 million for audit services and HK$9,000 for non-audit service. The audit services consist of annual audit of the Group for the year ended 31 December 2014 amounting to HK$2.2 million and special audit of Shenyang Zhiying's financial statements amounting to HK$0.9 million. The non-audit services represents tax compliance service.

COMPANY SECRETARY

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

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

For the year ended 31 December 2014, Mr. Min Le and Ms. Yung Mei Yee have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The 2015 AGM will be held on Friday, 8 May 2015. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

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

SHAREHOLDERS' RIGHTS

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

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

Convening of extraordinary general meeting and putting forward proposals

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

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company in Hong Kong at Room 2207–08, 22/F, Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong (email address: ir@pioneer-pharma.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

There is no change in the memorandum and articles of association of the Company for the year ended 31 December 2014.

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Pioneer Pharma Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 54 to 144, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touch Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	7	**1,540,398**	1,272,247
Cost of sales		**(1,048,449)**	(885,600)
Gross profit		**491,949**	386,647
Other income	8	**51,351**	49,434
Other gains and losses	9	**1,396**	10,811
Distribution and selling expenses		**(152,652)**	(101,760)
Listing expenses		**–**	(19,314)
Administrative expenses		**(57,784)**	(33,565)
Finance costs	10	**(14,137)**	(12,679)
Share of loss of associates	20	**(15,435)**	(7,088)
Profit before tax	11	**304,688**	272,486
Income tax expense	12	**(43,737)**	(36,732)
Profit for the year		**260,951**	235,754
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(11,373)**	75
– Fair value loss on other investments		**(27,154)**	(3,824)
Other comprehensive expense for the year		**(38,527)**	(3,749)
Total comprehensive income for the year		**222,424**	232,005
Profit (loss) for the year attributable to:			
Owners of the Company		**261,718**	238,372
Non-controlling interests		**(767)**	(2,618)
		260,951	235,754
Total comprehensive income (expense) attributable to:			
Owners of the Company		**225,723**	234,623
Non-controlling interests		**(3,299)**	(2,618)
		222,424	232,005
		RMB yuan	RMB yuan
Earnings per share			
Basic and diluted	13	**0.20**	0.23

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment	16	103,737	17,219
Prepaid lease payments	17	2,271	2,323
Goodwill	18	42,265	–
Intangible assets	19	158,427	15,221
Interest in associates	20	35,188	23,593
Other investments	21	29,964	53,359
Trust investments	21	65,000	–
Finance lease receivables	22	90,826	41,025
Loan to an associate	26	12,238	–
Deferred tax assets	23	2,286	2,142
Long term receivables	25	1,400	–
		543,602	154,882
Current Assets			
Inventories	24	619,969	419,844
Finance lease receivables	22	18,604	4,733
Trade and other receivables	25	576,046	331,028
Trust investments	21	10,000	–
Amount due from a related party	31	7,370	–
Tax recoverable		–	192
Prepaid lease payments	17	52	52
Structured note	28	–	19,829
Pledged bank deposits	29	518,374	304,282
Certificate of deposit	29	–	60,000
Bank balances and cash	29	260,834	702,073
		2,011,249	1,842,033
Current Liabilities			
Trade and other payables	30	473,700	360,742
Amounts due to related parties	31	35,204	10,603
Tax liabilities		14,741	424
Bank borrowings	32	610,416	429,545
Provision	34	4,715	4,222
Derivative financial instrument	27	83,087	–
Obligations under finance lease	33	690	–
		1,222,553	805,536
Net Current Assets		788,696	1,036,497
Total Assets less Current Liabilities		1,332,298	1,191,379

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Capital and Reserves			
Share capital	35	82,096	82,096
Reserves		1,045,264	1,075,532
Equity attributable to owners of the Company		1,127,360	1,157,628
Non-controlling interests		98,615	(343)
Total Equity		1,225,975	1,157,285
Non-current liabilities			
Deferred tax liability	23	43,274	7,500
Amounts due to related parties	31	–	460
Long-term liabilities	30	54,416	26,134
Obligation under finance leases	33	8,633	–
		1,332,298	1,191,379

The consolidated financial statements on pages 54 to 144 were approved and authorised for issue by the Board of Directors on 24 March 2015.

Li Xinzhou
DIRECTOR

Zhu Mengjun
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Statutory reserve RMB'000 *(Note a)*	Accumulated profits RMB'000	Investments revaluation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	–	–	73,810	554	52,458	88,478	(3,243)	212,057	768	212,825
Profit (loss) for the year	–	–	–	–	–	238,372	–	238,372	(2,618)	235,754
Other comprehensive expense	–	–	–	75	–	–	(3,824)	(3,749)	–	(3,749)
Total comprehensive income (expense) for the year	–	–	–	75	–	238,372	(3,824)	234,623	(2,618)	232,005
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	1,507	1,507
Appropriation to reserve	–	–	–	–	1,542	(1,542)	–	–	–	–
Issue of shares of the Company *(note 35(b))*	30,963	–	–	–	–	–	–	30,963	–	30,963
Issue of share upon initial public offering *(note 35(d))*	20,170	1,046,789	–	–	–	–	1,066,959	–	1,066,959	
Share issue expenses	–	(58,833)	–	–	–	–	–	(58,833)	–	(58,833)
Capitalisation issue *(note 35(c))*	30,963	(30,963)	–	–	–	–	–	–	–	–
Deemed distributions to shareholders *(Note d)*	–	–	(165,141)	–	–	–	–	(165,141)	–	(165,141)
Adjustments arising from the Group Reorganisation *(Note e)*	–	–	40,685	–	(45,000)	4,315	–	–	–	–
Dividends declared by Pioneer Pharma and recognised as distribution *(Note c)*	–	–	–	–	–	(163,000)	–	(163,000)	–	(163,000)

For the year ended 31 December 2014

	Attributable to the owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 *(Note b)*	Translation reserve RMB'000	Statutory reserve RMB'000 *(Note a)*	Accumulated profits RMB'000	Investments revaluation reserve RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2013	82,096	956,993	(50,646)	629	9,000	166,623	(7,067)	1,157,628	(343)	1,157,285
Profit (loss) for the year	–	–	–	–	–	261,718	–	261,718	(767)	260,951
Other comprehensive expense	–	–	–	(8,841)	–	–	(27,154)	(35,995)	(2,532)	(38,527)
Total comprehensive income (expense) for the year	–	–	–	(8,841)	–	261,718	(27,154)	225,723	(3,299)	222,424
Appropriation to reserve	–	–	–	–	3,389	(3,389)	–	–	–	–
Payments of dividends *(note 15)*	–	–	–	–	–	(255,991)	–	(255,991)	–	(255,991)
Acquisition of subsidiaries *(note 41)*	–	–	–	–	–	–	–	–	102,046	102,046
Disposal of subsidiaries *(note 42)*	–	–	–	–	–	–	–	–	211	211
At 31 December 2014	82,096	956,993	(50,646)	(8,212)	12,389	168,961	(34,221)	1,127,360	98,615	1,225,975

Notes:

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

(b) Other reserve represents the share capital and capital reserve of Pioneer Pharma Shareholding Co., Ltd. ("Pioneer Pharma") amounted to approximately RMB90 million. Also, other reserve reflects the decrease in resource of the Company and its subsidiaries (the "Group") arising upon payment for acquisition of an associate by Pioneer Pharma amounting to RMB16.2 million during the year ended 31 December 2012 and includes the deemed distribution to shareholders and relevant adjustments arising from the Group Reorganisation (as defined in note 2) during the year ended 31 December 2013.

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

(d) As part of the Group Reorganisation set out in note 2, certain group companies entered into various assets and equity transfer agreements with Pioneer Pharma. The aggregate consideration paid or payable to Pioneer Pharma amounted to approximately RMB117,814,000, and the carrying amount of certain assets and liabilities of Pioneer Pharma amounting to RMB47,327,000 that were not transferred to the Group or reinstated upon completion of the Group Reorganisation was accounted for as deemed distributions to shareholders with details set out in note 37.

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**304,688**	272,486
Adjustments for:			
Finance costs		**14,137**	12,679
Interest income on bank deposits		**(30,814)**	(10,055)
Interest income on loan to an associate		**(1,075)**	–
Depreciation of property, plant and equipment		**4,337**	1,622
Depreciation of investment properties		**–**	224
Amortisation of intangible assets		**3,264**	634
Release of prepaid lease payments		**52**	52
Gain on disposal of subsidiaries	*42*	**(2,426)**	–
Write off of property, plant and equipment		**–**	24
Share of loss of associates		**15,435**	7,088
Loss on fair value changes of convertible debt instrument held by the Group		**–**	4,369
Loss on fair value changes of derivative financial instruments		**–**	1,310
(Gain) loss on fair value changes of structured note		**(171)**	171
Gain on anti-dilution of interest in an associate		**–**	(6,784)
Fair value changes of interest rate swaps		**–**	950
Reversal of allowance for inventories		**–**	(466)
Impairment loss on trade and other receivables		**1,326**	500
Write off of trade and other payables		**(3,419)**	–
Reversal of impairment loss previously recognised on trade and other receivables		**(42)**	(274)
Gain on initial recognition of other investments and warrants		**–**	(7,965)
Provision of sales return		**5,634**	4,308
Operating cash flows before movements in working capital		**310,926**	280,873
Increase in inventories		**(127,564)**	(126,825)
Increase in trade and other receivables		**(168,647)**	(130,803)
Increase in trade and other payables		**64,229**	71,017
(Decrease) increase in amount due to a related party		**(11,063)**	10,602
Increase in finance lease receivables		**(35,390)**	(13,425)
Decrease in foreign exchange contracts		**–**	(1,162)
Cash generated from operations		**32,491**	90,277
Income taxes paid		**(36,132)**	(28,901)
Interest paid		**(14,137)**	(13,019)
Payment of interest rate swaps		**–**	(420)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(17,778)**	47,937

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Interest received on bank deposits		**30,814**	10,377
Interest received on loan to an associate		**1,075**	–
Loan advance to an associate		**(12,238)**	–
Advance to related parties		**–**	(8,000)
Repayment from related parties		**–**	42,646
Purchase of other investment		**(3,085)**	(35,599)
Purchase of trust investment		**(75,000)**	–
Purchases of property, plant and equipment		**(39,477)**	(16,032)
Acquisition of investment in associates		**(39,202)**	(28,266)
Payment for intangible assets		**(6,314)**	–
Proceeds on disposal of property, plant and equipment		**175**	–
Placement of pledged bank deposits		**(518,374)**	(447,849)
Withdrawal (purchase) of structured note		**20,000**	(20,000)
Withdrawal (placement) of certificate of deposit		**60,000**	(60,000)
Withdrawal of pledged bank deposits		**304,282**	438,293
Withdrawal of restricted bank deposits		**–**	11,862
Net cash outflow on acquisition of subsidiaries	*41*	**(72,980)**	–
Net cash inflow on disposal of subsidiaries	*42*	**1,630**	–
NET CASH USED IN INVESTING ACTIVITIES		**(348,694)**	(112,568)
FINANCING ACTIVITIES			
New bank borrowing raised		**848,900**	498,139
Repayments of bank borrowings		**(663,905)**	(484,814)
Capital contributions from non-controlling shareholders		**–**	1,507
Advance from a related party		**–**	4,455
Repayment to a related party		**–**	(4,455)
Consideration paid to Pioneer Pharma on acquisition of Transferred Business		**–**	(117,814)
Proceeds from issuance of new shares pursuant to the public offering		**–**	1,097,922
Payment of transaction cost attributable to issue of new shares		**–**	(58,833)
Dividend paid		**(255,991)**	(136,980)
Dividend paid to Pioneer Pharma pursuant to the Group Reorganisation		**–**	(92,652)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(70,996)**	706,475
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(437,468)**	641,844
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**702,073**	59,559
Effect of foreign exchange rate changes		**(3,771)**	670
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**260,834**	702,073

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the PRC. The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Limited ("Pioneer BVI"), a company incorporated in the British Virgin Islands ("BVI") which is controlled by Mr. Li Xinzhou ("Mr. Li") and Mrs. Wu Qian ("Mrs. Li"), the spouse of Mr. Li (collectively referred to as "Controlling Shareholders").

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

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

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

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

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

Details of the Group Reorganisation are set out in note 2 to section A of the Accountants' Report of the Company included in Appendix I to the Company's prospectus dated 24 October 2013.

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

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

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2013 include the results, changes in equity and cash flows of the companies (including the Transferred Business) now comprising the Group as if the current group structure had been in existence since 1 January 2013, or since their respective date of incorporation/establishment, where there is a shorter period.

The aggregate consideration paid or payable to Pioneer Pharma amounted to approximately RMB117,814,000, and the carrying amount of certain assets and liabilities of Pioneer Pharma amounting to RMB47,327,000 (note 37) that were not transferred to the Group was accounted for as deemed distributions to shareholders.

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

(a) Application of new and revised IFRSs

The Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

(a) Application of new and revised IFRSs (Continued)

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

(b) 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:

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

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

(b) New and revised IFRSs issued but not yet effective (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for finance assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

(b) New and revised IFRSs issued but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the standard introduces a 5-step approach to revenue recognition:

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 entity satisfies a performance obligation

Under the IFRS 15, an entity recognizes 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

Amendments to IAS 16 and IAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

(b) New and revised IFRSs issued but not yet effective (Continued)

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Continued)

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

Except as described above, the directors anticipate that the application of the other new and revised standards and interpretations will have no material impact on the profit or loss and the financial position of the Group and the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. 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 (Cap. 32), which in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 of the ordinance.

Basis of preparation

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair vales, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- assets (or disposal groups) that are classified as held for sales in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Groups cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Merger accounting for business combination involving entities under common control

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

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

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

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

Investment in a subsidiary

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in associates

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

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

Service income is recognised when services are provided.

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

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

Leasing

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

The Group as Lessor

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as Lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

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

Leasehold land and building for own use

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

Borrowing costs

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

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

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

Government grants

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

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

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the year

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than financial assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whether there is an indication that the asset may be impaired.

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

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

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

Inventories

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

Provisions

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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

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

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

AFS financial assets

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

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as mentioned in note 25, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

Effective interest method

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivative financial instruments of the Group include contingent consideration in connection with the acquisition of subsidiaries. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Derecognition

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill was approximately RMB42,265,000 (2013: nil). Details of the recoverable amount calculation are disclosed in note 18.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Fair value measurements of derivative financial liabilities

Derivative financial liabilities represent contingent consideration arose from the acquisition and it is classified as a derivative financial instrument in these consolidated financial statements and recognised in the consolidated statement of financial position at fair value. The fair value calculation requires management to estimate present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration at an appropriate discount rate.

Notes 6, 27 and 41 provide detailed information about the key terms of the consideration, valuation techniques and key assumptions used in the determination of the fair value of contingent consideration.

Estimated impairment and fair value measurements of trust investments

The Group entered into various fund trust arrangements with a trust company, the trust provide funding to specified corporate borrowers, unrelated to the Group. The trust investment was classified as available-for-sale investment on initial recognition and the fair value was determined based on future cash flow discounted at a rate that reflect the credit risk of various counterparties. At the end of the reporting period, the Group reviews factors such as financial performance of the counterparty, historical interest or principal payments pattern and change in quality of assets pledged for investments, if any, to determine if there is objective evidence that contribute to change in credit risk.

The carrying amount of trust investment as at 31 December 2014 was approximately RMB75,000,000 (2013: Nil) and details set out in note 21.

Estimated impairment of other investments

Equity securities (other investments) held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

As at 31 December 2014, the carrying amounts of Group's other investments are approximately RMB29,964,000 (2013: RMB53,359,000) with cumulative losses of RMB34,221,000 (2013: RMB7,067,000) recognized in other comprehensive income.

At each reporting period end, management will consider if objective evidence of an impairment exist such as whether there is a significant or prolonged decline in fair value of an investment below its cost. Determining whether investment in equity securities subject to a 'significant or prolonged' decline in fair value requires the application of judgement. In the impairment evaluation carried out by the directors, various factors including duration of decline in fair value since the Group acquired the investments, share price movements and after assessing these factors, the directors concluded that no impairment on other investments is required to be recorded for both years.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of intangible assets

Determining whether intangible asset is impaired require an estimation of the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The Group performed impairment assessment by estimating the value in use of the cash-generating unit in which the intangible assets are attributable to when impairment indicator exist. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. The discount rate represents the rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected or where there are events or changes in facts or circumstances which resulted in a revision of estimated cash flows, further material impairment loss or reversal of impairment loss may arise. The carrying amounts of other intangible assets at 31 December 2014 were approximately RMB158,427,000 (2013: RMB15,221,000). No impairment loss was recognised for intangible assets for both years.

Estimated impairment of trade receivables and finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2014, the carrying amounts of the Group's trade receivables are approximately RMB399,275,000 (2013: RMB214,674,000), net of allowance for doubtful debts of RMB1,700,000 (2013: RMB462,000).

As at 31 December 2014, the carrying amounts of the Group's finance lease receivables are approximately RMB109,430,000 (2013: RMB45,758,000). No impairment was recognised in both years.

Allowances for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2014, the carrying amounts of Group's inventories are RMB619,969,000 (2013: RMB419,844,000), net of allowance for inventories of RMB810,000 (2013: RMB810,000).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

THE GROUP

	2014 RMB'000	2013 RMB'000
Financial assets:		
Fair value through profit or loss		
Designated as at FVTPL	–	19,829
Available-for-sale assets	104,964	53,359
Finance lease receivables	109,430	45,758
Loans and receivables (including cash and cash equivalents)	1,348,536	1,384,356
Financial liabilities:		
Derivative financial liabilities (fair value through profit or loss)	83,087	–
Obligation under finance lease	9,323	–
Amortised cost	1,157,676	813,452

(b) Financial risk management objectives and policies

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

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

Market risk

(i) Currency risk

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (continued)

(i) Currency risk (continued)

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

THE GROUP

	Assets		Liabilities	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
United States Dollars ("US$")	**33,598**	61,465	**540,527**	476,087
Euro ("EUR")	**95**	9	**52,160**	18,219
Singapore Dollars ("SGD")	**678**	780	**380**	154
Hong Kong Dollars ("HKD")	**1,806**	7,662	**799**	424
Taiwan Dollars ("TWD")	**573**	1,048	**48**	6
	36,750	70,964	**593,914**	494,890

Sensitivity analysis

The sensitivity analysis includes outstanding foreign currency denominated monetary items and inter-company balances denominated in foreign currencies and adjusts their translation at the year ended for a 5% change in foreign currency rates. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates.

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

THE GROUP

	2014 RMB'000	2013 RMB'000
US$	**19,010**	15,548
EUR	**1,952**	683

6. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis (continued)

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

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

Additionally, as at 31 December 2014, intercompany receivables denominated in RMB which is not the functional currency of the respective group entities are approximately RMB3,698,000 (2013: RMB341,201,000). If RMB weakens or strengthens by 5% against the functional currency of the respective group entity, profit for the year would decrease/increase by approximately RMB139,000 (2013: RMB12,795,000) for the year ended 31 December 2014.

(ii) Interest rate risk

The Group's fair value interest rate risk related primarily to its fixed-rate bank borrowings (see note 32 for details of these borrowings). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowing (see note 32 for details of these borrowings), pledged bank deposit and bank balances.

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

No sensitivity is presented for variable rate bank deposits and bank balances as the directors considered that the relevant interest rate fluctuation is minimal.

No variable bank borrowings outstanding as at 31 December 2014 and 31 December 2013.

(iii) Other price risk

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. If the market prices of the respective equity securities had been 70% higher, investment valuation reserve as at 31 December 2014 would increase by RMB20,975,000 (2013: RMB37,351,000), as a result of the fair value gains of other investments. If the market prices of the respective equity securities had been 70% lower, the profit for the year ended 31 December 2014 would decrease by RMB51,372,000 (2013: RMB44,418,000), as a result of the relevant impairment.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

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

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

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

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

Credit risk on trust investments is limited because the Group periodically reviews factors such as financial performance of the counterparty, historical interest or principal payments pattern and change in quality and price of assets pledged for investments to determine if there is objective evidence that contribute to change in credit risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on loan to an associate, the Group does not have any other significant concentration of credit risk.

The Group has concentration of credit risk by individual customer as 2% (2013: 5%) of the total trade receivables as at 31 December 2014 were due from the Group's largest customer respectively whereas 11% (2013: 18%) of the total trade receivables as at 31 December 2014 were due from the Group's five largest customers respectively.

The Group has concentration of credit risk by geographical location as majority of the customers are located in PRC as at 31 December 2014.

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

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

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

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

The liquidity analysis for the Group's derivative financial instruments are prepared based on the management expectation on the timing of the cash flows of derivatives with reference to contractual terms.

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

Liquidity tables

THE GROUP

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	–	457,640	–	54,416	512,056	512,056
Obligation under finance leases	6.00	269	808	10,410	11,487	9,323
Amounts due to related parties	–	35,204	–	–	35,204	35,204
Bank borrowings – fixed rate	2.49	195,297	424,188	–	619,485	610,416
		688,410	424,996	64,826	1,178,232	1,166,999
Derivative financial instrument *(note 27)*	–	83,087	–	–	83,087	83,087

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity tables (Continued)

THE GROUP (Continued)

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	–	346,710	–	26,134	372,844	372,844
Amounts due to related parties	–	10,603	–	460	11,063	11,063
Bank borrowings						
– fixed rate	2.25	51,312	384,198	–	435,510	429,545
Loan commitment	–	12,114	–	–	12,114	–
		420,739	384,198	26,594	831,531	813,452

(c) Fair value measurements

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

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

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements (Continued)

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

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

Financial assets/financial (liabilities)	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
1) Trust investments	Assets – RMB75,000,000	N/A	Level 3	Discounted cash flow. Future cash flows discounted at a rate that reflects the credit risk of various counterparties.	Discount rate	The higher estimated discount rate, the lower the fair value *(Note 1)*
2) Other investments *(see note 21)*	Listed equity securities in US – RMB29,964,000	Listed equity securities in US – RMB53,359,000	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Structured note *(see note 28)*	N/A	Assets – RMB19,829,000	Level 3	The fair value is determined based on the final redemption amount estimated by the option pricing model which stimulate the Fixing Rate on the redemption date discounted by the time value.	Exchange rate estimated by counter bank	The higher the estimated exchange rate, the lower the fair value
4) Contingent consideration in a business combination *(see note 27)*	Liabilities – RMB83,087,000	N/A	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration.	Probability-adjusted net profit growth rate.	The higher the deviation from committed minimum growth rate of 15%, the lower the fair value. *(Note 2)*

Note:

1. If the estimated discount rate used were 5% higher/lower while all the other variables were held constant, the fair value of the trust investments would decrease/increase by RMB3,646,000.

2. A decrease in the probability-adjusted net profit growth rate used in isolation would result in a significant decrease in the fair value measurement of the contingent consideration. Since the Group entered into agreement with the original shareholder to resell the interest in Shenyang Zhiying Pharmaceutical Co., Ltd ("Shenyang Zhiying") subsequent to year end date (note 45), no significant financial effect is expected in coming financial year.

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

As at 31 December 2014, the directors consider that the carrying amount of financial assets and liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

6. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements (Continued)

Fair value measurements and valuation processes

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

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

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

	Warrant RMB'000	Trust investment RMB'000	Structured note RMB'000	Contingent consideration RMB'000	Total RMB'000
At 1 January 2013	2,088	–	–	–	2,088
Purchase	–	–	20,000	–	20,000
Total losses in profit or loss (Included in "Other gains and losses") *(Note 1)*	(3,564)	–	(171)	–	(3,735)
Transfer to Level 2	1,476	–	–	–	1,476
At 31 December 2013	–	–	19,829	–	19,829
Purchase	–	75,000	–	–	75,000
Total losses in profit or loss (Included in "Other gains and losses")	–	–	171	–	171
Settlement	–	–	(20,000)	–	(20,000)
Contingent consideration for a business combination *(Note 2)*	–	–	–	83,087	83,087
At 31 December 2014	**–**	**75,000**	**–**	**83,087**	**158,087**

Notes:

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

2. During the year ended 31 December 2014, no gain or loss relating to this contingent consideration has been recognised in profit or loss.

7. REVENUE AND SEGMENT INFORMATION

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

	2014 RMB'000	2013 RMB'000
Sales of pharmaceutical products	**1,343,147**	1,169,670
Sales of medical devices	**197,251**	102,577
	1,540,398	1,272,247

The Group's chief operating decision maker during the year ended 31 December 2013 and 2014 was the executive directors of the Group, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance. The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the gross profit earned by each segment.

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

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

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

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 31 December 2014

	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	673,353	867,045	1,540,398
Cost of sales	(306,057)	(742,392)	(1,048,449)
Gross profit & segment result	367,296	124,653	491,949
Other income			51,351
Other gains and losses			1,396
Distribution and selling expenses			(152,652)
Administrative expenses			(57,784)
Finance costs			(14,137)
Share of loss of associates			(15,435)
Profit before tax			304,688

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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 expense			(19,314)
Administrative expenses			(33,565)
Finance costs			(12,679)
Share of loss of an associate			(7,088)
Profit before tax			272,486

7. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major products

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

	2014 RMB'000	2013 RMB'000
Alcon	**867,045**	786,207
Difene	**114,327**	118,539
Fluxum	**128,377**	84,875
Polimod	**75,896**	59,708
Macmiror complex and Macmiror	**35,719**	27,169
Vinpocetine API	**63,779**	52,815
Neoton	**17,216**	16,266
Budesonide Easy Halser and Salbutamol Easyhaler	**11,908**	6,843
Bestcall	**–**	313
FLEET Phospho-Soda	**20,036**	11,495
Medical equipments and supplies	**197,251**	102,577
Others	**8,844**	5,440
	1,540,398	1,272,247

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). Over 80% (2013: 90%) of non-current assets excluding interest in associates and other investments of the Group are located in the PRC. Over 95% (2013: 95%) of the Group's revenue from external customers is attributed to the group entities' countries of domicile (i.e. the PRC).

Information about major customers

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

8. OTHER INCOME

	2014 RMB'000	2013 RMB'000
Government grants *(Note)*	**9,447**	36,122
Interest on bank deposits	**30,814**	10,055
Interest on loan to an associate	**1,075**	–
Interest income on finance leases	**5,243**	1,922
Rental income	**–**	410
Service income	**3,247**	318
Others	**1,525**	607
	51,351	49,434

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

9. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Net foreign exchange (losses) gains	**(3,336)**	2,162
Reversal of impairment loss previously recognised on trade and other receivables	**42**	274
Impairment loss on trade and other receivables	**(1,326)**	(500)
Write off of property, plant and equipment	**–**	(24)
Gain on disposal of subsidiaries *(note 42)*	**2,426**	–
Loss on fair value change of convertible debt instrument held by the Group *(Note a)*	**–**	(4,369)
Gain on anti-dilution of interest in an associate *(Note b)*	**–**	6,784
Loss on fair value change of derivative financial instruments	**–**	(1,310)
Gain (loss) on fair value changes of structured note	**171**	(171)
Gain on initial recognition of other investments and warrants *(Note c)*	**–**	7,965
Write off of trade and other payables *(Note d)*	**3,419**	–
	1,396	10,811

9. OTHER GAINS AND LOSSES (Continued)

Notes:

(a) In 2013, Pioneer Pharma (Singapore) Pte. Ltd. ("Pioneer Singapore") subscribed two convertible debt instruments with a total principal amount of EUR 1.7 million (equivalent to RMB13.7 million) issued by Q3 Medical Devices Limited ("Q3"). These convertible debt instruments were fully converted during the year ended 31 December 2013 and a fair value loss of approximately RMB4.4 million was recognised in profit or loss.

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

(c) 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 over the total acquisition cost of approximately RMB35.6 million.

(d) Subsequent to the acquisition of Covex, S.A and Covex, Farma S.L. (collectively referred to as "Covex Group") and the completion of debt acquisition as set out in note 41, Covex Group further reached agreement with several creditors to settle long outstanding trade and other payables at discount. A gain on write off of trade and other payables of approximately RMB3,419,000 was recognised during the year ended 31 December 2014.

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on:		
Bank borrowings wholly repayable within five years	**14,137**	12,679

11. PROFIT BEFORE TAX

	2014 RMB'000	2013 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration *(note 14)*	**3,444**	991
Other staff's retirement benefits scheme contributions	**9,038**	7,989
Other staff costs	**40,017**	26,467
Total staff costs	**52,499**	35,447
Auditors' remuneration	**2,931**	977
Listing expenses *(Note a)*	**–**	19,314
Reversal of allowance for inventories, net *(Note b)*	**–**	(466)
Release of prepaid lease payments	**52**	52
Depreciation for property, plant and equipment	**4,337**	1,622
Depreciation for investment properties	**–**	224
Amortisation of intangible assets	**3,264**	634
Cost of inventories recognised as an expense	**1,048,449**	885,600
Minimum lease payment under operating lease in respect of premises	**1,156**	408
Rental income	**–**	(410)

Notes:

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

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

12. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**31,069**	24,669
PRC withholding tax on dividends distributed by subsidiaries	**14,000**	–
	45,069	24,669
Under provision in prior year		
EIT	**846**	433
Deferred tax *(note 23)*		
Current year	**(2,178)**	11,630
	43,737	36,732

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

Pioneer Medical (HK) Company Limited ("Pioneer Medical (HK)") and Pioneer HK are incorporated in Hong Kong and subject to Hong Kong Profits Tax at a rate of 16.5% on assessable profits in Hong Kong. No provision for Hong Kong Profits Tax for the year ended 31 December 2013 and 2014 is made as they are loss-making have had no assessable profits since their incorporation.

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 2013 and 2014 as the amount involved is insignificant.

On 10 October 2013, a subsidiary, Pioneer Dynamic Co., Ltd., was 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 and 2014 as it is loss-making and had no assessable profits since its incorporation.

12. INCOME TAX EXPENSE (Continued)

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

According to Circular Zangzhengfa 2013 No. 14, enterprises located in Tibet are subject to a reduced EIT rate of 15% for the period from 2011 to 2020. Moreover, according to Circular Zangzhengfa 2008 No. 62 and Zangzhengbanfa 2011 No. 52, enterprises that are located in Naqu Logistics Center and engaged in specific encouraged industries enjoy a 40% exemption of the EIT for a period from 8 to 10 years. As approved by the in-charge tax bureau, Naqu Pioneer, which is located in Naqu, Tibet, is subject to a reduced EIT rate of 9% from 2010 to 2019.

Covex, Farma S.L. and Covex, S.A, companies incorporated in Spain, are subject to Spain corporate income tax for small company of 25%. No provision for Spanish income tax was made for the year ended 31 December 2014 as they had no assessable profits since the Group acquisition in July 2014.

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

	2014 RMB'000	2013 RMB'000
Profit before tax	**304,688**	272,486
Tax at the applicable income tax rate of 25%	**76,172**	68,122
Tax effect of expenses not deductible for tax purpose	**4,524**	5,036
Tax effect of income not taxable for tax purpose	**(935)**	(1,966)
Tax effect of tax losses not recognised	**1,384**	2,811
Tax effect of tax losses not recognised but subsequently used	**(280)**	–
Income tax on concessionary tax rate and tax exemption	**(50,474)**	(45,204)
Under provision in prior year	**846**	433
PRC withholding tax on dividends distributed by subsidiaries	**14,000**	–
(Utilisation of) deferred tax liabilities arising on undistributed profit of PRC subsidiaries	**(1,500)**	7,500
	43,737	36,732

13. EARNINGS PER SHARE

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

	2014	2013
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB 261,718,000**	RMB 238,372,000
Numbers of shares:		
Number of ordinary shares (2013: weighted average number of ordinary shares) for the purpose of calculating basic earnings per share	**1,333,334,000**	1,047,454,000

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 and the capitalisation issue as described more fully in Appendix IV to the Company's listing prospectus dated 24 October 2013.

In addition, the computation of diluted earnings per share in 2013 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. The diluted earnings per share in 2014 is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding in 2014.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

For the year ended 31 December 2014

	Fees RMB'000	Salaries and other allowances RMB'000	Retirement benefits scheme contributions RMB'000	Total emoluments RMB'000
Li Xinzhou *(Chief Executive)*	–	1,009	–	1,009
Zhu Mengjun	–	1,036	78	1,114
Lu Yuan	190	–	–	190
Wu Mijia	190	–	–	190
Zhang Wenbin	190	–	–	190
Xu Zhonghai	237	–	–	237
Lai Chanshu	237	–	–	237
Wong Chihung	277	–	–	277
	1,321	2,045	78	3,444

For the year ended 31 December 2013

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

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The five highest paid individuals include 2 (2013: 1) directors for the year ended 31 December 2014. The emoluments of the remaining 3 (2013: 4) individuals, which were less than HK$1,000,000 for each individual were as follows:

	2014 RMB'000	2013 RMB'000
Salary and other allowances	1,479	2,470
Retirement benefits scheme contributions	187	323
	1,666	2,793

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

15. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year:		
2014 Interim – HK10.7 cents per share (2013: nil)	113,491	–
2013 Final – HK13.5 cents per share (2012: nil)	142,500	–
2013 Special *(Note)*	–	163,000
	255,991	163,000

Note: During year ended 31 December 2013, no dividend was paid or declared by group entities to external parties other than the distribution made by Pioneer Pharma of a total of RMB163,000,000 prior to completion of the group reorganisation.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of HK10.7 cents (2013: HK13.5 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

16. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000	Investment properties RMB'000
THE GROUP							
COST							
At 1 January 2013	11,161	610	2,918	3,758	–	18,447	9,447
Additions	–	3	6,984	–	9,045	16,032	–
Disposals	–	–	(62)	–	–	(62)	–
Deemed distribution upon completion of the Group Reorganisation *(note 37)*	(10,761)	(445)	–	(3,366)	–	(14,572)	(9,447)
At 31 December 2013	400	168	9,840	392	9,045	19,845	–
Additions	30,999	96	2,492	1,221	4,669	39,477	–
Disposals	–	–	(202)	–	–	(202)	–
Transferred from construction in progress	10,899	–	–	–	(10,899)	–	–
Derecognised on disposal of a subsidiary	–	–	(111)	–	–	(111)	–
Acquisition through business combination	18,295	6,700	29,156	788	–	54,939	–
Effect of foreign currency exchange differences	(2,043)	(255)	(1,047)	–	–	(3,345)	–
At 31 December 2014	58,550	6,709	40,128	2,401	2,815	110,603	–
ACCUMULATED DEPRECIATION							
At 1 January 2013	3,363	334	1,338	2,100	–	7,135	2,833
Provided for the period	274	117	881	350	–	1,622	224
Elimination on disposals	–	–	(38)	–	–	(38)	–
Deemed distribution upon completion of the Group Reorganisation *(note 37)*	(3,557)	(307)	–	(2,229)	–	(6,093)	(3,057)
At 31 December 2013	80	144	2,181	221	–	2,626	–
Provided for the period	1,406	108	2,610	213	–	4,337	–
Elimination on disposals	–	–	(27)	–	–	(27)	–
Eliminated on disposal of a subsidiary	–	–	(4)	–	–	(4)	–
Effect of foreign currency exchange differences	(3)	(3)	(60)	–	–	(66)	–
At 31 December 2014	1,483	249	4,700	434	–	6,866	–
CARRYING VALUES							
At 31 December 2014	**57,067**	**6,460**	**35,428**	**1,967**	**2,815**	**103,737**	**–**
At 31 December 2013	320	24	7,659	171	9,045	17,219	–

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

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

Buildings and investment properties	5%
Leasehold improvement	Over the lease term of no more than 5 years
Furniture and equipment	20%
Motor vehicles	20%

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

17. PREPAID LEASE PAYMENTS

Analysed for reporting purposes as:

	2014 RMB'000	2013 RMB'000
Current asset	**52**	52
Non-current asset	**2,271**	2,323
	2,323	2,375

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

18. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	2014 RMB'000
At 1 January 2014	–
Arising on acquisition of subsidiaries, determined on a provisional basis *(note 41)*	44,112
Exchange adjustments	(1,847)
At 31 December 2014	42,265

Impairment testing on goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash-generating units:

	2014 RMB'000	2013 RMB'000
Covex Group	14,696	–
Shenyang Zhiying Pharmaceutical Co., Ltd. ("Shenyang Zhiying")	27,569	–
	42,265	–

During the years ended 31 December 2014, management of the Group determines that there is no impairment of the above-mentioned cash-generating units containing the goodwill.

The recoverable amounts of Covex Group and Shenyang Zhiying have been determined on the basis of value in use calculations. The value in use calculation use cash flow projections based on financial budgets approved by management covering a 5-year period. The rate used to discount the projected cash flow of Covex Group and Shenyang Zhiying are 15.64% and 16.75% per annum, respectively. Cash flow beyond the 5-year period is extrapolated based on past trends of pricing cycle of the Group's pharmaceutical products. Another key assumption for value in use calculation is the budgeted gross margin, which is determined based on the units' past performance and management's expectations for the market development. Management believes that any reasonably possible changes in any of these assumptions would not cause the aggregate carrying amounts of Covex Group and Shenyang Zhiying to exceed the aggregate recoverable amount of them.

19. INTANGIBLE ASSETS

	Licenses and patents RMB'000	Customer base RMB'000	Customer contracts RMB'000	Total RMB'000
THE GROUP				
COST				
At 1 January and 31 December 2013	16,689	–	–	16,689
Additions	6,314	–	–	6,314
Acquisition of subsidiaries	106,045	35,939	4,891	146,875
Effect of foreign currency exchange difference	(4,321)	(2,521)	–	(6,842)
At 31 December 2014	124,727	33,418	4,891	163,036
ACCUMULATED AMORTISATION				
At 1 January 2013	834	–	–	834
Provided for the year	634	–	–	634
At 31 December 2013	1,468	–	–	1,468
Provided for the year	2,200	1,064	–	3,264
Effect of foreign currency exchange difference	(62)	(61)	–	(123)
At 31 December 2014	3,606	1,003	–	4,609
CARRYING VALUES				
At 31 December 2014	**121,121**	**32,415**	**4,891**	**158,427**
At 31 December 2013	15,221	–	–	15,221

The above items intangible assets are amortised over their estimated useful lives, using the straight-line method, at the following rates per annum:

Licenses and patents	Over the contract period of no more than 20 years
Customer base	10%
Customer contracts	Over the contract period of no more than 5 years

20. INTEREST IN ASSOCIATES

Details of the Group's interest in associates are as follows:

	2014 RMB'000	2013 RMB'000
Cost of unlisted investments in associates	**57,711**	30,681
Share of post-acquisition losses and other comprehensive income	**(22,523)**	(7,088)
	35,188	23,593

Name of associate	Form of entity	Classes of shares held	Principal activity	Placed incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group 2014	2013
Q3 *(Note a)*	Incorporated	Common shares	Manufacturing and trading of medical devices	Ireland/German	**32.99%**	24.35%
YingSheng 3D Medical Imaging Centre ("YingSheng") *(Note b)*	Incorporated	Common shares	Stomatological computed tomography services	PRC	**35%**	N/A

Notes:

(a) After completion of several acquisitions, subscriptions and conversion of convertible debt instruments in 2013, Pioneer Singapore held approximately 24.35% of the issued share capital of Q3 as at 31 December 2013 and details of the transactions are set out in note 19 to the 2013 consolidated financial statements of the Group dated 25 March 2014.

On 16 July 2014, the Group further injected approximately EUR3,000,000 (equivalent to RMB24,990,000), and to subscribed 8.64% of the issued capital of Q3. Subsequent to the capital injection, the Group held a total of approximately 32.99% of the issued capital of Q3.

(b) On 20 February 2014, Pioneer Ruici injected RMB175,000, which represent 35.0% of the entire registered capital, in a newly established company, YingSheng. YingSheng is engaged in stomatological computed tomography business in the PRC.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

20. INTEREST IN ASSOCIATES (Continued)

All of these associates are accounted for using the equity method in these consolidated financial statements.

Q3

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Non-current assets	**86,003**	104,033
Current assets	**41,559**	43,943
Non-current liabilities	**34,036**	36,237
Current liabilities	**40,380**	32,040

	For the year ended 31 December 2014 RMB'000	From date of acquisition on 17 April 2013 to 31 December 2013 RMB'000
Revenue	**52,328**	30,523
Loss for the year/period	**52,784**	37,415
Total comprehensive expense for the year/period	**52,784**	37,415

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

	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
Net assets of the associate	**53,146**	79,699
Proportion of the Group's ownership interest in Q3	**17,533**	19,403
Goodwill	**15,780**	4,190
Carrying amount of the Group's interest in Q3	**33,313**	23,593

20. INTEREST IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material

	2014 RMB'000	2013 RMB'000
The Group's share of loss	(165)	–
The Group's share of comprehensive income	–	–
Carrying amount of the Group's interest	1,875	–

21. OTHER INVESTMENTS/TRUST INVESTMENTS

Other investments

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

Trust investments

During the year, the Group entered into various fund trust arrangements with a trust company, the trust provide funding to specified corporate borrowers, unrelated to the Group. Funds amounted to approximately RMB10,000,000 and RMB65,000,000 held by the Group are due within twelve months and due after twelve months as of 31 December 2014, respectively.

The trust investments were classified as available-for-sale investments on initial recognition and the fair value were determined based on future cash flow discounted at a rate that reflect the credit risk of various counterparties. Certain trust investments were pledged with properties located in PRC and one of the trust investments allows the Group to redeem the principal and accrued interest prior to the maturity date.

22. FINANCE LEASE RECEIVABLES

	Minimum lease payments		Present value of minimum lease payments	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Finance lease receivables comprise:				
Within one year	**36,071**	12,233	**18,604**	4,733
In more than one year but not more than two years	**27,965**	13,310	**16,375**	7,163
In more than two years but not more than five years	**86,142**	35,230	**66,760**	22,541
More than five years	**8,717**	13,948	**7,691**	11,321
	158,895	74,721	**109,430**	45,758
Less: unearned finance income	**(49,465)**	(28,963)	**N/A**	N/A
Present value of minimum lease payment receivables	**109,430**	45,758	**109,430**	45,758
Analysed for reporting purposes as:				
Current assets			**18,604**	4,733
Non-current assets			**90,826**	41,025

22. FINANCE LEASE RECEIVABLES (Continued)

As disclosed in note 25, the Group's sales of medical devices usually involve immediate transfer of legal ownership and are to be settled by instalments over a period, which is usually 12 to 36 months. Such sales of medical devices are accounted for under IAS 18 Revenue.

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

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

The average rate of return on the net investment in the above finance leases was at 11% (2013: 16%) and ranging from 1% to 24% (2013: 3% to 17%) per annum for the finance lease receivables which were outstanding at 31 December 2014. The lease period of the finance lease arrangement was 3 to 8 years (2013: 3 to 8 years).

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

23. DEFERRED TAX

	2014 RMB'000	2013 RMB'000
Deferred tax assets	2,286	2,142
Deferred tax liability	(43,274)	(7,500)
	(40,988)	(5,358)

23. DEFERRED TAX (Continued)

The following are the major deferred tax assets (liability) recognised and movements thereon during the year ended 31 December 2014:

THE GROUP

	Allowances RMB'000	Unrealised profit on inventories RMB'000	Provision for sale return RMB'000	Derivative financial instruments RMB'000	Accrued expenses RMB'000	Undistributed profit of subsidiaries RMB'000	Fair value adjustments RMB'000 *(Note)*	Total RMB'000
At 1 January 2013	170	4,467	290	195	1,209	–	–	6,331
(Charge) credit to profit or loss for the period	18	(3,928)	90	(195)	(115)	(7,500)	–	(11,630)
Deemed distribution upon completion of the Group Reorganisation *(note 37)*	(59)	–	–	–	–	–	–	(59)
At 31 December 2013	129	539	380	–	1,094	(7,500)	–	(5,358)
(Charge) credit to profit or loss for the period	90	(82)	44	–	92	1,500	534	2,178
Acquisition through business combination	1,211	–	–	–	–	–	(40,622)	(39,411)
Effect of foreign currency exchange differences	–	–	–	–	–	–	1,603	1,603
At 31 December 2014	**1,430**	**457**	**424**	**–**	**1,186**	**(6,000)**	**(38,485)**	**(40,988)**

Note: Fair value adjustments mainly refer to the surplus on valuation of inventories, intangible assets and property, plant and equipment upon acquisition of subsidiaries in 2014 as set out in note 41.

The Group has unused tax losses of approximately RMB45,678,000 (2013: RMB13,955,000) as at 31 December 2014 respectively available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2014 RMB'000	2013 RMB'000
2017	**605**	885
2018	**1,289**	1,289
2019	**6,320**	8,364
2020	**1,605**	–
No expiry	**35,859**	3,417
	45,678	13,955

23. DEFERRED TAX (Continued)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 5%, if applicable. As at 31 December 2014, the aggregate amount of temporary differences associated with undistributable earnings of PRC subsidiaries amounted to RMB174,853,000 (2013: RMB187,218,000). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB54,853,000 (2013: RMB37,218,000) as the Group has set aside such fund for the business development in the PRC and is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax liability approximately RMB6,000,000 (2013: RMB7,500,000) was recognised as at 31 December, 2014.

24. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2014, inventories including goods in transit of approximately RMB129,906,000 (2013: RMB119,262,000).

During the year ended 31 December 2014, allowance for inventories amounting to nil (2013: RMB329,000) and reversal of allowance for inventories amounting to nil (2013: RMB795,000) have been recognised by the Group and included in cost of sales.

25. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES

THE GROUP

	2014 RMB'000	2013 RMB'000
Trade receivables	400,975	215,136
Less: Allowance for doubtful debts	(1,700)	(462)
	399,275	214,674
Bill receivables	121,170	97,241
	520,445	311,915
Other receivables, prepayments and deposits	6,884	4,608
Less: Allowance for doubtful debts	(53)	(7)
	527,276	316,516
Interest receivables	13,691	5,834
Advance payment to suppliers	2,569	4,336
Other tax recoverable	1,711	4,342
Other receivables *(Note)*	32,199	–
Total trade and other receivables	577,446	331,028
Classified as:		
– Non Current		
Trade receivables	1,400	–
	1,400	–
– Current		
Trade receivables	399,275	214,674
Bill receivables	121,170	97,241
Other receivables, prepayments and deposits	55,601	19,113
	576,046	331,028
	577,446	331,028

Note: Shenyang Zhiying made prepayment to the local government for the acquisition of land use rights during the year ended 31 December 2013. However, after consideration of the future development of Shenyang Zhiying, management of Shenyang Zhiying concluded not to acquire the targeted land and did not submit the land use development document to the local government to complete the transaction. The entire deposit was subsequently settled in early 2015.

25. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES (Continued)

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

For sales of medical devices, except for sales of medical devices under finance lease pursuant to which the legal ownership is transferred upon full payment of the contract sum as disclosed in note 22, the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 to 36 months as stated in contracts are included in trade receivables. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on invoice date at the year ended date, which approximated the respective revenue recognition dates:

THE GROUP

	2014 RMB'000	2013 RMB'000
0–60 days	287,524	169,897
61 days to 180 days	59,253	36,234
181 days to 1 year	40,248	8,055
1 year to 2 years	12,250	488
	399,275	214,674

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

THE GROUP

	2014 RMB'000	2013 RMB'000
0–60 days	90,712	60,570
61 days to 180 days	29,595	31,410
181 days to 1 year	363	3,671
1 year to 2 years	500	1,590
	121,170	97,241

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 RMB81,673,000 (2013: RMB34,563,000), which are past due as at 31 December 2014. 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.

25. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES (Continued)

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

THE GROUP

	2014 RMB'000	2013 RMB'000
61 days to 180 days	45,719	29,850
181 days to 1 year	28,836	4,225
1 year to 2 years	7,118	488
	81,673	34,563

Movement in the allowance for doubtful debts:

THE GROUP

	2014 RMB'000	2013 RMB'000
Balance at beginning of the year	469	243
Impairment losses recognised on receivables	1,326	500
Impairment losses reversed	(42)	(274)
Balance at end of the year	1,753	469

The Group has provided fully for receivable that specifically considered to be unrecoverable.

26. LOAN TO AN ASSOCIATE

On 31 December 2013, Pioneer Singapore entered into a loan agreement (the "Q3 Loan Agreement") with Q3, an associate of the Company, for the granting of a unsecured loan of EUR1,500,000 (the "Q3 Loan"), equivalent to RMB12,607,000 by Pioneer Singapore to Q3 and to be repaid on or before 31 December 2016. The Q3 Loan was fully drawn down on 14 January 2014 at an interest rate of 10% per annum on the principal outstanding.

As of 31 December 2014, the Company has accrued interest receivable of EUR145,000 (equivalent to RMB1,075,000) regarding the Q3 Loan.

27. DERIVATIVE FINANCIAL LIABILITIES

Derivative financial liabilities represent contingent consideration arose from the acquisition of approximately 51% equity interest of Shenyang Zhiying in December 2013, as further detailed in note 41 to the financial statements.

The contingent consideration is classified as a derivative financial instrument (financial liability at fair value through profit or loss) in these consolidated financial statements and recognised in the consolidated statement of financial position at fair value. The fair values of the contingent consideration as at 31 December 2014 which is the date of acquisition was RMB83,087,000.

28. STRUCTURED NOTE

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

The note was fully settled on 20 June 2014 and no other outstanding structured note as at 31 December 2014.

29. PLEDGED BANK DEPOSITS, CERTIFICATE OF DEPOSIT AND BANK BALANCES AND CASH

Pledged bank deposits

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

The pledged deposits carry fixed interest rate that range from 3.30% to 4.00% (2013: from 3.30% to 4.35%) per annum as at 31 December 2014.

As disclosed in note 2, the Principal Business has been transferred to the Group upon the completion of the Group Reorganisation. The Transferred Business included a pledged bank deposit of approximately RMB304,282,000 as at 31 December 2013, which was used to secure bank borrowings of the Group's offshore entity. The legal title of such bank deposit is restricted from transfer under bank arrangement. Pioneer Pharma is holding such bank deposit on trust on behalf of the Group. The pledged bank balance deposits were released and returned back to the Group in 2014.

Certificate of deposit

As at 31 December, 2013, the Group's balance includes a 6 month fixed rate certificate of deposit of RMB60,000,000 that carried an interest rate of 2.30%, with maturity date on 21 June 2014.

The deposit was fully settled on 21 June 2014 and no other outstanding certificate of deposit as at 31 December 2014.

29. PLEDGED BANK DEPOSITS, CERTIFICATE OF DEPOSIT AND BANK BALANCES AND CASH (Continued)

Bank balances and cash

The Group's bank balances carry interest at market rates that range from 0.00% to 0.50% (2013: from 0.01% to 0.50%) per annum as at 31 December 2014.

30. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

THE GROUP

	2014 RMB'000	2013 RMB'000
Trade payables	391,751	318,618
Payroll and welfare payables	10,221	3,138
Advance from customers	5,072	1,261
Other tax payables	13,458	6,857
Marketing service fee payables	12,002	11,167
Interest payables	2,619	2,110
Deposits received from distributors	5,839	10,540
Accrued IPO charges	–	2,760
Amount due to a former related party *(Note 1)*	4,800	–
Amount due to a former non-controlling shareholder *(Note 2)*	12,500	–
Accrued purchase	54,416	26,134
Other payables and accrued charges	15,438	4,291
	528,116	386,876
Less: Amounts due after one year shown under long-term liabilities *(Note 3)*	(54,416)	(26,134)
	473,700	360,742

Notes:

1) Amount being advance from a former related party to Shenyang Zhiying for operational purposes. Amount is unsecured, non-interest bearing and repayable on demand.

2) Amount being advance to the Group from 瀋陽軍區空軍後勤部, a former non-controlling shareholder of Shenyang Zhiying, for operational purposes. Amount is unsecured, non-interest bearing and repayable on demand.

3) The amount represents the accounts for the cost of medical devices which are sold under the 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.

30. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES (Continued)

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

THE GROUP

	2014 RMB'000	2013 RMB'000
0 to 90 days	**389,438**	302,201
91 to 180 days	**2,206**	16,417
181 to 365 days	**86**	–
Over 365 days	**21**	–
	391,751	318,618

31. RELATED PARTIES DISCLOSURES

THE GROUP

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

Name of related companies	Relationships with the Group
(1) 海南三風友製藥有限公司 Hainan San Feng You Limited ("Hainan San Feng You")	Company controlled and beneficially owned by close family member of Mr. Li
(2) Covex, S.A *(Note a)*	Associate of Pioneer Pharma from 25 May 2012 to 18 June 2014 and an associate of the Group from 18 June 2014 to 30 June 2014
(3) 洋浦新洲投資有限公司 Yangpu Xinzhou Investment Company Limited ("Xinzhou Investment")	Company controlled and beneficially owned by Mr. Li
(4) 洋浦安邦投資有限公司 Yangpu Anbang Investment Company Limited ("Anbang Investment")	Company controlled and beneficially owned by Mr. Li
(5) 先鋒醫藥股份有限公司 Pioneer Pharma *(Note b)*	Company controlled and beneficially owned by Mr. Li

31. RELATED PARTIES DISCLOSURES (Continued)

(a) (Continued)

Name of related companies	Relationships with the Group
(6) 深圳影勝醫療技術有限公司 YingSheng	Associate of the Group from 17 January 2014
(7) Q3	Associate of the Group from 17 April 2013
(8) 瀋陽富山清泉飲料銷售有限公司 Shenyang FuShanQingQuan Beverage Trading Limited* ("Fushan")	Company controlled and beneficially owned by non-controlling shareholder of Shenyang Zhiying
(9) 瀋陽華創投資有限公司 Shenyang HuaChuang Investment Limited* ("Huachuang")	Company controlled and beneficially owned by non-controlling shareholder of Shenyang Zhiying
(10) 瀋陽和旺實業有限公司 Shenyang HeWang Company Limited* ("Hewang")	Company controlled and beneficially owned by non-controlling shareholder of Shenyang Zhiying
(11) 瀋陽華興投資有限公司 Shenyang HuaXing Investment Limited* ("Huaxing")	Company controlled and beneficially owned by non-controlling shareholder of Shenyang Zhiying
(12) 瀋陽華仕達投資有限公司 Shenyang HuaShiDa Investment Limited* ("Huashida")	Company controlled and beneficially owned by non-controlling shareholder of Shenyang Zhiying

* The English name is for identification purpose only.

Notes:

(a) On 18 June 2014, the Group acquired Covex, S.A from Pioneer Pharma and Covex, S.A becomes an associate of the Group. On 1 July 2014, the Group acquired additional interest in Covex, S.A and Covex, S.A became a subsidiary of the Group thereafter. Detail of the acquisition was set out in note 41.

(b) Pioneer Pharma became a related party of the Group upon the completion of the Group reorganisation in June 2013.

31. RELATED PARTIES DISCLOSURES (Continued)

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

Name of related parties	Relationships with the Group
(1) Mr. Yuen Sengcheong ("Mr. Yuen")	Key management personnel of the Group
(2) Mr. Yang Zhiyu ("Mr. Yang")	Key management personnel of the Group
(3) Mr. Zhang Wenbin ("Mr. Zhang")	Key management personnel of the Group
(4) Mr. Zhou Jianhua ("Mr. Zhou")	Non-controlling shareholder of Shenyang Zhiying
(5) Mr. Shen Quan ("Mr. Shen")	Non-controlling shareholder of Shenyang Zhiying

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

	2014 RMB'000	2013 RMB'000
Purchase of finished goods from Hainan San Feng You	1,038	42
Purchase of finished goods from Covex, S.A	3,138	29,853
Purchase of finished goods from Pioneer Pharma	–	828
Interest on loan to Q3	1,075	–
Sales of finished goods to Pioneer Pharma	–	(288)
Rental expense paid to Xinzhou Investment *(Note)*	450	300
Rental expense paid to Pioneer Pharma *(Note)*	252	126

Note: Historically, certain office premise occupied by the Group was owned by Mr. Li and Mrs. Li which was rented to the Group free of charge. On 19 June 2013, Naqu Pioneer and Xinzhou Investment formalised the lease arrangement and entered into an agreement pursuant to which Naqu Pioneer has agreed to pay a monthly rental of RMB50,000 to Xinzhou Investment for the continuing use of the office premise in Shanghai for a term of three years commencing on 1 July 2013 and ending on 30 June 2016. During the year ended 31 December 2014, the abovementioned agreement was early terminated.

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

31. RELATED PARTIES DISCLOSURES (Continued)

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

	2014 RMB'000	2013 RMB'000	Maximum amounts outstanding during the year 2014 RMB'000
Name of the related parties			
Amount due from related parties			
– Trade receivables			
Aged 0-90 days			
Fushan	800	–	800
Huachuang	6,570	–	6,570
	7,370	–	
Loan to an associate			
Q3 *(note 26)*	12,238	–	
Amount due to related parties – non current			
– Other receivables			
Mr. Yuen *(Note 1)*	–	(400)	
Mr. Yang *(Note 1)*	–	(60)	
	–	(460)	
Amount due to related parties – current			
– Trade payables			
Aged 0-90 days			
Covex, S.A	–	(10,603)	
– Other payables			
Hewang *(Note 2)*	(7,000)	–	
Huaxing *(Note 2)*	(15,400)	–	
Huashida *(Note 2)*	(5,880)	–	
Mr. Zhou *(Note 2)*	(5,674)	–	
Mr. Shen *(Note 2)*	(1,250)	–	
	(35,204)	(10,603)	

31. RELATED PARTIES DISCLOSURES (Continued)

(d) (Continued)

Notes:

(1) During the year ended 31 December 2013, Mr. Yuen and Mr. Yang entered into loan agreements with Pioneer Ruici, pursuant to which Mr. Yuen and Mr. Yang extended the loans for a period of five years and the amounts will be repayable on 13 August 2017 and bear no interest. The loan was early settled during the year ended 31 December 2014.

(2) Amounts are unsecured, non-interest bearing and repayable on demand.

According to a promotion partner agreement dated on 12 October 2011 entered into between Mr. Zhang and Pioneer Pharma and a supplemental agreement dated 1 January 2013 pursuant to which Pioneer Pharma assigns its rights and liabilities under the promotion partner agreement to Naqu Pioneer (the "Promotion Partner Agreement"), the Group appointed Mr. Zhang as a promotion partner of Salbutamol Easyhaler products in Jiangsu and Beijing areas of the PRC. The term of the Promotion Partner Agreement is seven years commencing 12 October 2011 and ending 11 October 2018 and a deposit of RMB5 million is payable by Mr. Zhang. As of 31 December 2013, the Group received deposits of RMB2 million and recorded in other payable in the consolidated statement of financial position. During the year ended 31 December 2014, the Promotion Partner Agreement was terminated and the deposit was refunded to Mr. Zhang.

(e) Compensation of key management personnel

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

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**6,191**	3,613
Retirement benefits scheme contribution	**422**	409
	6,613	4,022

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

32. BANK BORROWINGS

THE GROUP

	2014 RMB'000	2013 RMB'000
Carrying amount of bank loans repayable within one year and shown under current portion	**610,416**	429,545
Analysed as:		
Secured	**520,416**	429,545
Unsecured	**90,000**	–
	610,416	429,545

As at 31 December 2014, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2014 RMB'000	2013 RMB'000
Pledge of assets		
Bills receivables	**6,614**	1,655
Pledged bank deposits	**518,374**	304,282
	524,988	305,937

The ranges of effective interest rates on the Group's fixed-rate borrowings are 1.20% to 7.28% (2013: 1.00% to 7.28%).

33. OBLIGATION UNDER FINANCE LEASES

During the year ended 31 December 2014, the Group lease certain of its medical devices from suppliers. Pursuant to the agreement, the legal ownership of the medical devices will automatically be transferred to the Group upon completion of the consumables purchase commitment within the lease term of 5 years. Interest rates underlying all obligation under finance leases are fixed at respective contract dates at 6% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Amount payable under finance lease:				
Within one year	**1,077**	–	**690**	–
In more than one year but not more than two years	**1,436**	–	**979**	–
In more than two years but not more than five years	**8,974**	–	**7,654**	–
	11,487	–	**9,323**	–
Less: future finance charges	**(2,164)**	–	**N/A**	N/A
Present value of lease obligations	**9,323**	–	**9,323**	–
Analysed for reporting purposes as:				
Current liabilities			**690**	–
Non-current liabilities			**8,633**	–

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

34. PROVISION

THE GROUP

	Provision for sales return RMB'000
COST	
At 1 January 2013	3,223
Additions	4,308
Utilisations	(3,309)
At 31 December 2013	4,222
Additions	5,634
Utilisations	(5,141)
At 31 December 2014	**4,715**

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

35. SHARE CAPITAL

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised:			
On 5 February 2013 (date of incorporation) *(Note a)*	500,000,000	5,000,000	31,397
Addition *(Note c)*	2,500,000,000	25,000,000	50,699
At 31 December 2013 and 2014	**3,000,000,000**	**30,000,000**	**82,096**
Issued and fully paid:			
At incorporation *(Note a)*	1	0.01	–
Issuance of shares on 14 February 2013 *(Note b)*	99	0.99	–
Issuance of shares on 13 June 2013 *(Note b)*	100,100,000	1,001,000	6,286
Issuance of shares at 6 September 2013 *(Note b)*	399,899,900	3,998,999	24,677
Capitalisation issue *(Note c)*	500,000,000	5,000,000	30,963
Issuance of shares upon initial public offering *(Note d)*	333,334,000	3,333,340	20,170
At and 31 December 2013 and 2014	**1,333,334,000**	**13,333,340**	**82,096**

35. SHARE CAPITAL (Continued)

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

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

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

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

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

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

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				2014 %	2013 %	
Directly held						
Pioneer HK 先鋒醫藥(香港)有限公司	Hong Kong	19 February 2013	US$5,000,000	100	100	Investment holding
Indirectly held						
Pioneer Medical (HK) 先鋒醫療器材(香港)有限公司	Hong Kong	27 June 2012	HKD1,000,000	60	60	Sales of medical devices in Hong Kong
Pioneer Medident	Singapore	27 August 2012	SGD120,000	60	60	Sales of medical devices in Southeast Asia

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				2014 %	2013 %	
Xiantao Medical*[1] 仙桃先鋒醫療服務有限公司	PRC	22 March 2013	US$1,000,000	100	100	Sales of pharmaceutical products and medical devices
Xiantao Pioneer*[2] 仙桃市先鋒醫藥有限公司	PRC	31 July 2009	RMB10,000,000	100	100	Sales of pharmaceutical products
Pioneer Ruici*[2] 上海先鋒瑞瓷醫療器械有限公司	PRC	2 September 2011	RMB4,000,000	70	70	Sales of dental devices
Pioneer Singapore 先鋒醫藥(新加坡)私人有限公司#	Singapore	16 February 2011	SGD1	100	100	Sales of medical devices
Naqu Pioneer*[2] 那曲地區先鋒醫藥有限公司	PRC	21 January 2010	RMB8,000,000	100	100	Sales of imported in-licensed prescription products
Shanghai Saierling Trading[1, 3] 上海賽洱靈貿易有限公司 ("Saierling")	PRC	15 August 2013	RMB1,000,000	–	60	Sales of medical devices
Haikau Pioneer Pharma Leasing Company Limited[1] 海口先鋒醫藥租賃有限公司	PRC	18 December 2013	RMB150,000,000	100	100	Sales of medical devices and ancillary tools and accessories leasing
Pioneer Dynamic Co., Ltd* 先鋒泰醫藥股份有限公司	Taiwan	10 October 2013	TWD10,000,000	60	60	Sales of medical devices

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				2014 %	2013 %	
Ruici Dental Technology Co., Ltd*[1,3] 上海瑞瓷齒科技術有限公司 ("Ruici Dental")	PRC	4 December 2013	RMB200,000	–	70	Research on technology
Covex, S.A[4]	Spain	20 May 1977	EUR6,986,138	68.63	–	Manufacturing of chemical and pharmaceutical products
Covex, Farma S.L.[4]	Spain	10 July 1991	EUR3,005	100	–	Trading of pharmaceutical products
Shenyang Zhiying[1,4] 瀋陽志鷹藥業有限公司	PRC	23 November 1981	RMB30,000,000	51	–	Manufacturing of pharmaceutical products

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

Notes:

1. Established in the PRC in the form of wholly foreign-owned enterprise.
2. Established in the PRC in the form of domestic companies with limited liabilities.
3. The subsidiary was disposed during the year ended 31 December 2014 with details set out in note 42.
4. The subsidiary was acquired during the year ended 31 December 2014 with details set out in note 41.

37. NON-CASH TRANSACTIONS

Assets and liabilities that are derecognised by or reinstated the Group on the date of completion of Group Reorganisation in June 2013 are as follows:

	RMB'000
Assets or liabilities reinstated	
Amount due from Pioneer Pharma	34,646
Dividend payable to Pioneer Pharma	(92,652)
	(58,006)
Assets or liabilities derecognised	
Deferred tax assets *(note 23)*	(59)
Dividend payables to shareholders of Pioneer Pharma	26,020
Other receivable	(106)
Other payable	776
Investment properties	(6,390)
Property, plant and equipment *(note 16)*	(8,479)
Tax recoverable	(1,083)
	10,679
	(47,327)

38. OPERATING LEASES

As lessee

As at 31 December 2014, the Group had commitments to make the following future minimum lease payments in respect of premises rented under non-cancellable operating leases which fall due as follows:

THE GROUP

	2014 RMB'000	2013 RMB'000
Within one year	**2,171**	999
In the second to fifth years inclusive	**4,207**	1,507
	6,378	2,506

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

38. OPERATING LEASES (Continued)

As lessor

Property rental income and equipment rental income earned for the year ended 31 December 2014 were nil and RMB1,370,000 respectively (2013: RMB410,000 and RMB402,000, respectively). All leases have fixed terms of 3 years.

As at 31 December 2014, the Group had contracted with tenants for the following future minimum lease payments:

THE GROUP

	2014 RMB'000	2013 RMB'000
Within one year	1,472	84
In the second to fifth years inclusive	1,434	126
	2,906	210

39. RETIREMENT BENEFITS SCHEME

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

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

The total cost charged to profit or loss of approximately RMB9,116,000 (2013: RMB8,061,000) for the year ended 31 December 2014, represents contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2013, contributions had not been paid over to the schemes was approximately RMB571,000. As at 31 December 2014, there was no outstanding contribution to the schemes.

40. CAPITAL COMMITMENT

THE GROUP

	2014 RMB'000	2013 RMB'000
Capital expenditure authorised but not contracted for	**573,719**	720,392

41. BUSINESS COMBINATIONS

Subsidiaries acquired

2014

	Principal activity	**Date of acquisition**	**Proportion of shares acquired** (%)
Covex Group	Trading and manufacturing of pharmaceutical products	1 July 2014	*Note*
Shenyang Zhiying	Manufacturing of pharmaceutical products	31 December 2014	51%

Note: The Group acquired 100% equity interest in Covex, Farma S.L. and approximately 68.63% equity interest in Covex S.A during the year.

Covex Group is a manufacturer of Vinpocetine API in Spain. Currently, the Group obtained an exclusive right to market and distribute Vinpocetine API to domestic manufacturers of Vinpocetine in the PRC and through the acquisition of Covex Group, it can also help to secure a long-term and stable supply of Vinpocetine API.

Shenyang Zhiyang is a processing manufacturer of Vinpocetine in the PRC and it was acquired to broaden the Group's business model by extending the industrial chain.

41. BUSINESS COMBINATIONS (Continued)

Consideration transferred

	Covex Group RMB'000	Shenyang Zhiying RMB'000	Total RMB'000
Cash paid for business acquisitions	24,390	10,000	34,390
Debt acquisitions *(Note 1)*	58,637	–	58,637
Contingent consideration agreement *(Note 2)*	–	83,087	83,087
	83,027	93,087	176,114

Notes:

(1) On 1 July 2014, Pioneer Singapore entered into the debt acquisition agreement with 65 creditors of Covex, S.A and Covex, Farma S.L., pursuant to which Pioneer Singapore acquired certain debts from these creditors with an aggregate face value of EUR18,639,355, equivalent to RMB157,470,000 for a consideration of EUR6,983,831, equivalent to RMB58,637,000. The debt acquisition is completed and settled on the same date.

(2) The contingent consideration requires the Group to pay the vendor a consideration equals to 51% of the audited net profit of Shenyang Zhiying for the year ended 31 December 2014, multiplied by a profit-earnings multiple of 14 times less the initial payment of RMB10 million. The audited financial result of Shenyang Zhiying for the year ended 31 December 2014 has to be prepared in accordance with the IFRS by an auditor appointed by the Company. If the vendor does not agree with the amount of consideration payable, both the Purchaser and the Seller should jointly appoint a third party auditor to conduct a re-audit. Up to the date of the report, the vendor yet to agree to the audited financial result of Shenyang Zhiying.

In addition, the vendor has provided a guarantee that the audited net profit of Shenyang Zhiying for the three consecutive fiscal years starting from 1 January 2015, prepared in accordance with the IFRSs, will continue to achieve a minimum annual growth of 15% compared to the immediate, preceding financial year audited result. If Shenyang Zhiying fails to achieve the target in any of the three consecutive fiscal years, Dianbai County Fuhong Investments Co., Ltd. ("Dianbai Fuhong"), the vendor, shall pay compensation to Xiantao Pioneer, the acquirer, in accordance with the formula stated in the acquisition agreement.

Based on financial budgets approved by the directors of Shenyang Zhiying, it will achieve an annual growth of 15% to 23% from 2015 to 2017. The Company will continue to assess the financial performance and budgets of Shenyang Zhiying at each of the reporting period end and recognise a corresponding derivative financial asset, if any, at its fair value.

Acquisition-related costs amounting to RMB2,741,000 (Covex Group: RMB1,831,000; Shenyang Zhiying: RMB910,000) have been excluded from the consideration transferred and have been recognised as an expense in the year, within the 'administrative expenses' line item in the consolidated statement of profit or loss and other comprehensive income.

41. BUSINESS COMBINATIONS (Continued)

Provisional amount of assets acquired and liabilities recognised at the date of acquisition

	Covex Group RMB'000	Shenyang Zhiying RMB'000	Total RMB'000
Current assets			
Inventories	31,103	37,276	68,379
Trade and other receivables	7,243	72,587	79,830
Amount due from related parties *(note 31d)*	–	7,370	7,370
Bank balances and cash	16,223	3,824	20,047
Non-current assets			
Property, plant and equipment	29,909	25,030	54,939
Intangible assets	61,018	85,857	146,875
Other investment	555	–	555
Current liabilities			
Trade and other payables	(13,658)	(40,375)	(54,033)
Amount due to related parties *(note 31d)*	–	(35,204)	(35,204)
Tax liabilities	–	(3,127)	(3,127)
Non-current liabilities			
Deferred tax liabilities	(14,640)	(24,771)	(39,411)
	117,753	128,467	246,220

At the end of the reporting period, the allocation of the cost of acquisition of Covex Group and Shenyang Zhiying to the identifiable assets and liabilities is pending the completion of the appraisal of certain intangible assets acquired, which is expected to be completed during the year ending 31 December 2015. Accordingly, the above goodwill arising on the acquisition is a provisional amount and may change upon the completion of the appraisal.

The fair values of property, plant and equipment and intangible assets were estimated by applying depreciated replacement market approach (with reference to recent market prices for similar land in similar locations) and income approach, respectively.

The receivables acquired (which principally comprised trade receivables, amount due from related parties and long term receivables) in these transactions with a fair value of RMB87,200,000 had gross contractual amounts of RMB87,200,000.

Non-controlling interests

The non-controlling interests in Covex, S.A and Shenyang Zhiying recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the recognised amount of the net assets of the company and amounted to approximately RMB39,097,000 and RMB62,949,000, respectively.

41. BUSINESS COMBINATIONS (Continued)

Goodwill arising on acquisition

	Covex Group RMB'000	Shenyang Zhiying RMB'000	Total RMB'000
Consideration transferred	83,027	93,087	176,114
Plus: Investment in an associate (24% in Covex, S.A) *(Note)*	12,172	–	12,172
Plus: non-controlling interest (31.37% in Covex, S.A)	39,097	–	39,097
Plus: non-controlling interest (49% in Shenyang Zhiying)	–	62,949	62,949
Less: fair value of identifiable net assets acquired	(117,753)	(128,467)	(246,220)
Goodwill arising on acquisition	16,543	27,569	44,112

Note: On 1 July 2014, Pioneer Singapore entered into the share acquisition agreement with Memory Secret S.L., to acquire the entire issued share capital of Covex, Farma S.L.. Covex, Farma S.L. holds approximately 44.63% equity interest in Covex, S.A.

On 16 May 2014, Pioneer Pharma entered into a share purchase agreement with Pioneer Singapore, pursuant to which Pioneer Singapore acquired 2,095,841 shares, representing approximately 24% of the entire issued share capital of Covex, S.A, for a total consideration of EUR1,450,000, equivalent to RMB12,172,000. The acquisition was completed on 18 June 2014 and Covex, S.A became an associate of the Group.

Following the completion of share acquisition of Covex, Farma S.L., Pioneer Singapore holds, together with the previous acquired 24.0% interest in Covex, S.A, an aggregate of approximately 68.63% of the equity interest in Covex, S.A and it became a subsidiary of the Group.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	Covex Group RMB'000	Shenyang Zhiying RMB'000	Total RMB'000
Consideration paid in cash	83,027	10,000	93,027
Less: cash and cash equivalent balances acquired	(16,223)	(3,824)	(20,047)
	66,804	6,176	72,980

41. BUSINESS COMBINATIONS (Continued)

Impact of acquisitions on the results of the Group

Included in the profit for the year is RMB717,000 attributable to the additional business generated by Covex Group, and nil attributable to Shenyang Zhiying. Revenue for the year includes RMB18,123,000 in respect of Covex Group and nil in respect of Shenyang Zhiying.

Had these business combinations been effected at 1 January 2014, the revenue of the Group would have been RMB1,640,823,000, and the profit for the year would have been RMB229,185,000. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

In determining the "pro-forma" revenue and profit of the Group had Covex Group and Shenyang Zhiying been acquired at the beginning of the current year, the directors have calculated depreciation and amortisation of property, plant and equipment, prepaid lease payments and other intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

42. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed the following subsidiaries:

(a) On 13 October 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Ruici Dental for a cash consideration of RMB1,079,000. The disposal was completed on 1 November 2014 on which date the Group lost control over Ruici Dental.

(b) On 15 December 2014, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Saierling for a cash consideration of RMB600,000. The disposal was completed on 15 December 2014 on which date the Group lost control over Saierling.

Ruici Dental and Saierling are principally engaged in the research of technology and sales of medical devices, respectively, as disclosed in note 36. After the disposals, the Group still continues to carry research of technology and sales of medical devices in other subsidiaries, which was hence not classified as discontinued operations within the scope of IFRS 5 *Non-current Assets Held for Sales and Discontinued Operations*.

Consideration received

	Ruici Dental RMB'000	Saierling RMB'000	Total RMB'000
Consideration received in cash	1,079	600	1,679

42. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over which control was lost

	Ruici Dental RMB'000	Saierling RMB'000	Total RMB'000
Current assets			
Trade and other receivables	60	715	775
Bank balances and cash	2	47	49
Non-current assets			
Property, plant and equipment	107	–	107
Current liabilities			
Trade and other payables	(1,883)	(2)	(1,885)
Tax liabilities	(3)	(1)	(4)
	(1,717)	759	(958)

Gain on disposal of subsidiaries

	Ruici Dental RMB'000	Saierling RMB'000	Total RMB'000
Consideration received	1,079	600	1,679
Net liabilities (assets) disposed	1,717	(759)	958
Non-controlling interests	(515)	304	(211)
Gain on disposal	2,281	145	2,426

Net cash inflow on disposal of subsidiaries

	Ruici Dental RMB'000	Saierling RMB'000	Total RMB'000
Consideration received in cash	1,079	600	1,679
Less: cash and cash equivalent balances disposed of	(2)	(47)	(49)
	1,077	553	1,630

43. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation/ establishment and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2014 %	2013 %	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Shenyang Zhiying	PRC	**49**	–	**–**	–	**62,949**	–
Covex, S.A	Spain	**31.37**	–	**656**	–	**37,405**	–
Individually immaterial subsidiaries with non-controlling interests						**(1,739)**	(343)
						98,615	(343)

Shenyang Zhiying

	As at 31 December 2014 RMB'000
Non-current assets	**110,887**
Current assets	**121,057**
Non-current liabilities	**24,771**
Current liabilities	**78,706**

As Shenyang Zhiying is acquired on 30 December 2014, no further profit or loss or cash flow information are presented.

43. NON-CONTROLLING INTERESTS (Continued)

Covex, S.A

	As at 31 December 2014 RMB'000
Non-current assets	73,325
Current assets	66,595
Non-current liabilities	12,502
Current liabilities	14,730

	From date of acquisition to 31 December 2014 RMB'000
Revenue	15,111
Expenses	13,021
Profit for the period	2,090
Profit attributable to owners of the Company	1,434
Profit attributable to the non-controlling interests	656
Profit for the period	2,090
Other comprehensive expense attributable to owners of the Company	(11,686)
Other comprehensive expense attributable to non-controlling interests	(2,348)
Other comprehensive expense for the period	(14,034)
Net cash outflow from operating activities	(11,701)

44. SUMMARY OF FINANCIAL INFORMATION

(a) Statement of financial position of the Company

	2014 RMB'000	2013 RMB'000
Non-current Assets		
Investment in a subsidiary	1,010,906	30,333
Other investments	2,352	811
	1,013,258	31,144
Current Assets		
Other receivables	4,877	698
Amounts due from subsidiaries	2,654	295,927
Structured note	–	19,829
Pledged bank deposits	332,952	–
Certificate of deposit	–	60,000
Bank balances and cash	6,307	650,874
	346,790	1,027,328
Current Liability		
Other payables	2,614	23,208
Amounts due to subsidiary	7,988	7,886
Bank borrowings	303,281	–
	313,883	31,094
Net Current Assets	32,907	996,234
Total Assets less Current liability	1,046,165	1,027,378
Capital and Reserves		
Share capital	82,096	82,096
Reserves	964,069	945,282
Total Equity	1,046,165	1,027,378

44. SUMMARY OF FINANCIAL INFORMATION (Continued)

(b) Movement in reserves

	Share Capital RMB'000	Share premium RMB'000	Retained profits RMB'000	Investment valuation reserve RMB'000	Total RMB'000
At date of incorporation	–	–	–	–	–
Profit for the year	–	–	(11,851)	–	(11,851)
Other comprehensive income	–	–	–	140	140
Total comprehensive income	–	–	(11,851)	140	(11,711)
Issue of shares of the Company	30,963	–	–	–	30,963
Issue of share upon initial public offering	20,170	1,000,855	–	–	1,021,025
Share issue expenses	–	(12,899)	–	–	(12,899)
Capitalisation issue	30,963	(30,963)	–	–	–
At 31 December 2013 and 1 January 2014	82,096	956,993	(11,851)	140	1,027,378
Profit for the year	–	–	276,322	–	276,322
Other comprehensive income	–	–	–	(1,544)	(1,544)
Total comprehensive income	–	–	276,322	(1,544)	274,778
Payments of dividends	–	–	(255,991)	–	(255,991)
At 31 December 2014	**82,096**	**956,993**	**8,480**	**(1,404)**	**1,046,165**

45. SUBSEQUENT EVENTS

Subsequent to 31 December 2014, the Group has the following subsequent events:

(i) On 2 March 2015, Pioneer Singapore entered into a securities purchase agreement with NovaBay Pharmaceuticals, Inc. ("NovaBay") to purchase 2,590,000 shares in NovaBay, 2,590,000 unit of warrants with exercise period of 15 months starting from September 2015 and 2,590,000 unit of warrants with exercise period of 5 years starting from September 2015 for a consideration of US$1,554,000 (equivalent to RMB9,539,000). The management of the Company are still in the process of assessing the financial impact of the acquisition.

(ii) Subsequent to the completion of the acquisition of Shenyang Zhiying on 30 December 2014, the Group was unable to reach consensus with Huachuang on the future strategic direction of the Shenyang Zhiying including but not limited to the proposed termination of certain distribution agreements signed by Shenyang Zhiying. The directors of the Company take the view that as a result of the difference in opinion, it would be impossible or extremely difficult to integrate the Target into the Group successfully in a timely manner and therefore the previously expected benefits of the acquisition will be materially and substantially undermined. On 13 March 2015, the Xiantao Pioneer and Dianbai Fuhong entered into a share transfer agreement, pursuant to which Xiantao Pioneer agreed to sell, and Dianbai Fuhong agreed to purchase, the 51% interest in Shenyang Zhiying at the same consideration as stipulated under the share acquisition agreement dated 19 November 2014. Dianbai Fuhong has settled all consideration to the Group subsequent to the signing of share transfer agreement.