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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Pioneer Pharma Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2015 together with comparative figures for the corresponding period in 2014, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 8.7% to RMB803.2 million in the six months ended 30 June 2015 from RMB738.8 million in the six months ended 30 June 2014.
- Net profit of the Group increased by 18.2% to RMB160.8 million in the six months ended 30 June 2015 from RMB136.0 million in the six months ended 30 June 2014.
- Basic earnings per share was RMB0.12 in the six months ended 30 June 2015.
- The Board declared an interim dividend of RMB5.7 cents per share.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2015

	Notes	For the six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	4	**803,243**	738,787
Cost of sales		**(550,518)**	(497,532)
Gross profit		**252,725**	241,255
Other income	5	**39,702**	21,382
Other gains and losses	6	**3,059**	(4,330)
Distribution and selling expenses		**(62,537)**	(65,742)
Administrative expenses		**(29,943)**	(21,408)
Finance costs		**(10,821)**	(7,230)
Share of losses of associates		**(9,738)**	(5,837)
Profit before taxation	7	**182,447**	158,090
Income tax expense	8	**(21,611)**	(22,060)
Profit for the period		**160,836**	136,030
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(10,728)**	1,125
– Exchange differences on translation of interests in associates		**(1,821)**	–
– Fair value gain (loss) on other investments		**15,711**	(19,921)
Other comprehensive income (expense) for the period		**3,162**	(18,796)
Total comprehensive income for the period		**163,998**	117,234
Profit (loss) for the year attributable to:			
Owners of the Company		**161,964**	136,656
Non-controlling interests		**(1,128)**	(626)
		160,836	136,030
Total comprehensive income (expense) attributable to:			
Owners of the Company		**166,835**	117,860
Non-controlling interests		**(2,837)**	(626)
		163,998	117,234
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	10	**0.12**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		**77,442**	103,737
Prepaid lease payments		**2,245**	2,271
Goodwill		**13,370**	42,265
Intangible assets		**65,213**	158,427
Interest in associates	*11*	**107,705**	35,188
Other investments		**–**	29,964
Trust investments		**–**	65,000
Finance lease receivables		**88,865**	90,826
Deferred tax assets		**2,356**	2,286
Loan to an associate		**–**	12,238
Long term receivables	*12*	**467**	1,400
		357,663	543,602
Current Assets			
Inventories		**526,514**	619,969
Finance lease receivables		**21,275**	18,604
Trade and other receivables	*12*	**635,833**	576,046
Trust investments		**60,000**	10,000
Amounts due from related parties		**1,236**	7,370
Tax recoverable		**559**	–
Prepaid lease payments		**52**	52
Derivative financial instruments		**6,511**	–
Pledged bank deposits		**656,470**	518,374
Bank balances and cash		**251,560**	260,834
		2,160,010	2,011,249
Current Liabilities			
Trade and other payables	*13*	**460,193**	473,700
Amounts due to related parties		**–**	35,204
Tax liabilities		**18,101**	14,741
Bank borrowings	*14*	**869,646**	610,416
Provision		**1,362**	4,715
Derivative financial instrument		**–**	83,087
Obligations under finance lease		**1,475**	690
		1,350,777	1,222,553

	Notes	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Net Current Assets		**809,233**	788,696
Total Assets less Current Liabilities		**1,166,896**	1,332,298
Capital and Reserves			
Share capital		**82,096**	82,096
Reserves		**974,703**	1,045,264
Equity attributable to owners of the Company		**1,056,799**	1,127,360
Non-controlling interests		**32,829**	98,615
Total Equity		**1,089,628**	1,225,975
Non-current liabilities			
Deferred tax liabilities		**14,916**	43,274
Long term liabilities	*13*	**45,821**	54,416
Obligation under finance leases		**16,531**	8,633
		77,268	106,323
		1,166,896	1,332,298

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company were first listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 5 November 2013.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

Except the application of the amendments to International Financial Reporting Standards ("**IFRSs**") as described below and the change of accounting policy set out in Note 3, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

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

3. CHANGES OF ACCOUNTING POLICY

In previous years, cost of inventories are determined on the first-in-first-out basis. Having considered the increase in operation scale of the Group, management reassessed the appropriateness of this accounting policy during the period and concluded that using weighted average method would provide more reliable and relevant information on the Group's inventories value to the condensed consolidated financial statements users on a prospective basis.

Consequently, the Group changed its accounting policy on inventories to apply the weighted average method under IAS 2 Inventories retrospectively with effect from 1 January 2015. The effects of changes in accounting policy described above would have decreased the carrying amount of inventories at 31 December 2014 by approximately RMB2,682,000 and increased the costs of sales for the six months ended 30 June 2014 by approximately RMB174,000. Since the directors of the Company considered the effects of changes in accounting policy does not result in any material impact on the profit or loss for the six months ended 30 June 2014 and carrying amount of inventories at 31 December 2014, comparative amounts were not restated.

4. SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of pharmaceutical products	**732,858**	629,827
Sales of medical devices	**70,385**	108,960
	803,243	738,787

The Group's chief operating decision maker 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. 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.

Segment revenues and results

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

For the six months ended 30 June 2015 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	**Products sold via the provision of co-promotion and channel management services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	356,501	446,742	803,243
Cost of sales	(159,679)	(390,839)	(550,518)
Gross profit & segment result	196,822	55,903	252,725
Other income			39,702
Other gains and losses			3,059
Distribution and selling expenses			(62,537)
Administrative expenses			(29,943)
Finance costs			(10,821)
Share of losses of associates			(9,738)
Profit before taxation			182,447

For the six months ended 30 June 2014 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	Products sold via the provision of co-promotion and channel management services *RMB'000*	Consolidated *RMB'000*
Segment revenue	340,959	397,828	738,787
Cost of sales	(156,602)	(340,930)	(497,532)
Gross profit & segment result	184,357	56,898	241,255
Other income			21,382
Other gains and losses			(4,330)
Distribution and selling expenses			(65,742)
Administrative expenses			(21,408)
Finance costs			(7,230)
Share of loss of an associate			(5,837)
Profit before taxation			158,090

5. OTHER INCOME

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**11,942**	–
Interest on bank deposits	**14,842**	13,338
Interest on trust investments	**3,049**	2,334
Interest income on finance leases	**7,169**	2,143
Interest income on loan to an associate	**204**	630
Service income	**2,328**	1,616
Others	**168**	1,321
	39,702	21,382

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.

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**(4,062)**	(3,483)
Reversal of impairment loss previously recognised on trade and other receivables	**–**	5
Impairment loss on trade and other receivables	**(3,425)**	(1,023)
Impairment loss on finance lease receivables	**(5,506)**	–
Gain on fair value change of structured note	**–**	171
Gain on initial recognition of other investments and warrants *(Note)*	**3,910**	–
Gain on fair value changes of derivative financial instruments	**1,523**	–
Gain on dilution on interest in associates *(Note 11)*	**10,619**	–
	3,059	(4,330)

Note: Amount represents the difference between the fair value at acquisition date of other investments of approximately RMB8,446,000 and warrants of approximately RMB5,025,000 over the total acquisition cost of approximately RMB9,561,000.

7. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**1,901**	1,719
Other staff's retirement benefits scheme contributions	**3,420**	3,984
Other staff costs	**16,909**	18,715
Total staff costs	**22,230**	24,418
Auditors' remuneration	**1,512**	787
Reversal of allowance for inventories, net	**–**	(796)
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**4,088**	1,404
Amortisation of intangible assets (included in administrative expenses)	**2,905**	279
Cost of inventories recognised as an expense	**550,518**	497,532
Minimum lease payment under operating lease in respect of premises	**254**	606

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**24,006**	24,179
Under provision in prior period		
PRC Enterprise Income Tax	**138**	227
	24,144	24,406
Deferred tax		
Current period	**(2,533)**	(2,346)
	21,611	22,060

9. DIVIDENDS

During six months ended 30 June 2015, a final dividend of RMB8.5 (six months ended 30 June 2014: RMB10.7) cents per share in respect of the year ended 31 December 2014 (six months ended 30 June 2014: 31 December 2013) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB112,507,000 (six months ended 30 June 2014: RMB142,500,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB5.7 cents per share will be paid to the owners of the Company whose names appear in the Register of Members on 17 September 2015.

10. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purpose of calculating basic earnings per share	**161,964**	136,656
Numbers of shares		
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purpose of calculating basic earnings per share	**1,327,125,917**	1,333,334,000

For the six months ended 30 June 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2015 has been taken into account the ordinary shares purchased by Bank of Communications Trustee Limited on the market pursuant to the Share Award Scheme.

For the six months ended 30 June 2015 and 2014, the diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding in both periods.

11. INTEREST IN ASSOCIATES

Name of associates	Form of entity	Classes of shares held	Principal activity	Placed incorporation and operation	Proportion of ownership interest (ordinary shares) and voting power held by the Group	
					30 June 2015	31 December 2014
Q3 Medical Devices Limited ("**Q3**") *(Note a)*	Incorporated	Ordinary shares	Manufacturing and trading of medical devices	Ireland/German	36.57%	32.99%
YingSheng 3D Medical Imaging Centre ("**YingSheng**")	Incorporated	Ordinary shares	Stomatological computed tomography services	PRC	35%	35%
NovaBay Pharmaceuticals, Inc. ("**NovaBay**") *(Note b)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	United States	13.9%	N/A

Notes:

(a) During the six months ended 30 June 2015, the Group converted a loan of a principal amount of EUR1,500,000 (equivalent to RMB9,778,000) into 26,354 ordinary shares of Q3. The Group also further subscribed 19,500 ordinary shares of Q3 for a total consideration of approximately EUR1,500,000 (equivalent to RMB10,044,000).

Q3 also issued an aggregate of 49,203 ordinary shares to various investors. A gain on dilution of approximately RMB6,475,000 was recognised.

As of 30 June 2015, the Group held a total of 148,165 ordinary shares, representing approximately 36.57% (31 December 2014: 32.99%) of the issued capital of Q3.

(b) As of 31 December 2014, the Group held 14.7% of the issued capital of NovaBay and the investment was classified as available-for-sale investment and shown as "Other Investments" on the consolidated statement of financial position.

On 6 March 2015, the Group further subscribed 2,590,000 ordinary shares of NovaBay and subsequent to the subscription, the Group held a total of approximately 16.7% of the issued capital of NovaBay.

Subsequently, on 10 April 2015, the Group obtained representation on the board of directors which is the governing body of NovaBay as a result, the Directors considered that the Group can exercise significant influence over NovaBay and therefore reclassified the Group's interest in NovaBay with the carrying amount of approximately RMB53,635,000 from "Other Investments" to "Interest in Associates" with effect from the same date.

In May 2015, Novabay issued shares to various other investors and the Group's interest in NovaBay was diluted to 13.9%. A deemed gain on dilution of approximately RMB4,144,000 was recognised.

As of 30 June 2015, the net fair value of the identifiable assets, liabilities and contingent liabilities and resulting goodwill of NovaBay were recognised provisionally at the date of acquisition pending the completion of an appraisal, which is expected to be completed by 31 December 2015.

12. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES

	As at 30 June 2015 *RMB'000* (Unaudited)	As at 31 December 2014 *RMB'000* (Audited)
THE GROUP		
Trade receivables	**492,995**	400,975
Less: Allowance for doubtful debts	**(5,125)**	(1,700)
	487,870	399,275
Bill receivables	**103,005**	121,170
	590,875	520,445
Other receivables, prepayments and deposits	**26,102**	6,884
Less: Allowance for doubtful debts	**(53)**	(53)
	616,924	527,276
Interest receivables	**14,721**	13,691
Advance payment to suppliers	**2,668**	2,569
Other tax recoverable	**1,987**	1,711
Other receivables	**–**	32,199
Total trade and other receivables	**636,300**	577,446
Classified as:		
– Non-current		
Trade receivables	**467**	1,400
– Current		
Trade receivables	**487,403**	397,875
Bill receivables	**103,005**	121,170
Other receivables, prepayments and deposits	**45,425**	57,001
	635,833	576,046
	636,300	577,446

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

For sales of medical devices, except for sales of medical devices under finance lease pursuant to which the legal ownership is transferred upon full payment of the contract sum, the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 months to 36 months as stated in contracts are included in trade receivables.

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

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**370,540**	287,524
61 days to 180 days	**78,990**	59,253
181 days to 1 year	**29,531**	40,248
1 year to 2 years	**8,809**	12,250
	487,870	399,275

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

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**32,108**	90,712
61 days to 180 days	**54,891**	29,595
181 days to 1 year	**15,206**	363
1 year to 2 years	**800**	500
	103,005	121,170

13. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

	As at 30 June 2015 *RMB'000* (Unaudited)	As at 31 December 2014 *RMB'000* (Audited)
THE GROUP		
Trade payables	**408,381**	391,751
Payroll and welfare payables	**3,007**	10,221
Advance from customers	**5,862**	5,072
Other tax payables	**16,658**	13,458
Marketing service fee payables	**12,452**	12,002
Interest payables	**5,677**	2,619
Deposits received from distributor	**5,516**	5,839
Amount due to a former related party *(Note a)*	**–**	4,800
Amount due to a former non-controlling shareholder *(Note a)*	**–**	12,500
Accrued purchase	**45,821**	54,416
Other payables and accrued charges	**2,640**	15,438
	506,014	528,116
Less: Amounts due after one year shown under long term liabilities *(Note b)*	**(45,821)**	(54,416)
	460,193	473,700

Notes:

(a) These balances were disposed upon the disposal of Shenyang Zhiying Pharmaceutical Co., Ltd. on 13 March 2015.

(b) The amount represents the accounts for the cost of medical devices which are sold under the finance lease contracts and is not payable within one year.

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

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

	As at 30 June 2015 *RMB'000* (Unaudited)	As at 31 December 2014 *RMB'000* (Audited)
THE GROUP		
0 to 90 days	**404,895**	389,438
91 to 180 days	**3,385**	2,206
181 to 365 days	**–**	86
Over 365 days	**101**	21
	408,381	391,751

14. BANK BORROWINGS

During the period, the Group obtained various new bank loans to finance its business operation of approximately RMB476,813,000 (2014: RMB304,937,000). The amounts are secured and due within one year.

As at 30 June 2015, the Group entered into various borrowings with the banks, mainly to finance its business operations. Such borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	As at 30 June 2015 *RMB'000* **(Unaudited)**	As at 31 December 2014 *RMB'000* (Audited)
Pledge of assets		
Bills receivables	**25,769**	6,614
Trade receivables	**472,300**	338,423
Pledged bank deposits	**656,470**	518,374
	1,154,539	863,411

As 30 June 2015, the effective interest rates on the Group's fixed-rate borrowings are ranging from 1.01% to 4.70% (31 December 2014: 1.20% to 7.28%).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

As a crucial year of comprehensively deepening reformation, 2015 witnesses the announcement of several government policies which have significant and far-reaching impact on China's pharmaceutical industry. The boom of the overall pharmaceutical industry has gradually turned into structural development opportunities. While the policy makers of the industry are exploring next steps, the demand of the pharmaceutical industry continues and has considerable potential. Complicated and ever-changing market environment created challenges to the Group's development. However, the Group intends to tackle such challenges actively by leveraging on its own strengths, and the management believes that the Group will be able to spot and seize development opportunities amid the challenging market environment.

For the six months ended 30 June 2015 (the "**Reporting Period**"), the Group achieved steady development. The Group's revenue increased by 8.7% to RMB803.2 million (for the six months ended 30 June 2014: RMB738.8 million) and net profit increased by 18.2% to RMB160.8 million (for the six months ended 30 June 2014: RMB136.0 million).

For the Reporting Period, the Group continued to enhance its comprehensive marketing, promotion and channel management services offered to small- and medium-sized overseas pharmaceutical product and medical device suppliers. For the pharmaceutical products segment, the Group adopted effective and reasonable measures to tackle pricing policy changes for pharmaceutical products around the country and achieved satisfactory results. The Group also increased its promotion efforts for its products and continued to improve and refine the marketing strategy for each product. For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 23.3% compared to the same period last year to RMB286.1 million, representing 35.6% of the Group's revenue for the Reporting Period. Gross profit increased by 17.7% compared to the same period last year to RMB170.0 million, representing 67.3% of the Group's gross profit for the Reporting Period.

In 2012, the Group started providing comprehensive marketing, promotion and channel management services for medical devices in China, and has achieved sizeable scale after more than two years of development. The Group's medical devices portfolio has expanded from WaveLight Eagle laser surgical series to a wide range of products covering ophthalmic surgical equipment, intraocular lens (IOL), odontology equipment and consumables and wound care products. During the first half of 2015, the Group's sales of WaveLight Eagle laser surgical series were adversely affected by a suspension of tender process on large scale equipment in public hospitals in China. As a result, the Group's overall sales of medical devices were correspondingly affected. For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 35.4% compared to the same period last year to RMB70.4 million, representing 8.8% of the Group's revenue for the Reporting Period. Gross profit decreased by 32.8% compared to the same period last year to RMB26.9 million, representing 10.6% of the Group's gross profit for the Reporting Period.

For the Reporting Period, 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 23 pharmaceutical products sold in China and provides co-promotion services for eight of these products. For the Reporting Period, the Group's revenue generated from products sold via the provision of co-promotion and channel management services increased by 12.3% compared to the same period last year to RMB446.7 million, representing 55.6% of the Group's revenue for the Reporting Period. Gross profit decreased by 1.7% compared to the same period last year to RMB55.9 million, representing 22.1% of the Group's gross profit for the Reporting Period.

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 30 June 2015, the Group had a product portfolio of pharmaceutical products (substantially all of which were prescription products) covering ophthalmology, pain management, cardiovascular, respiratory, gastroenterology, immunology and other therapeutic areas, and medical devices covering several medical specialties, including ophthalmology, odontology and wound care products.

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

	For the six months ended 30 June			
Category	**2015**	**Percentage of the Group's Total Revenue/ Gross Profit**	2014	Percentage of the Group's Total Revenue/ Gross Profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
	(Unaudited)		(Unaudited)	
Revenue:				
Pharmaceutical Products	**286,116**	**35.6**	231,999	31.4
Medical Devices	**70,385**	**8.8**	108,960	14.8
Gross Profit:				
Pharmaceutical Products	**169,969**	**67.3**	144,418	59.9
Medical Devices	**26,853**	**10.6**	39,939	16.5

For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 23.3% compared to the same period last year to RMB286.1 million, representing 35.6% of the Group's revenue for the Reporting Period. Gross profit increased by 17.7% compared to the same period last year to RMB170.0 million, representing 67.3% 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 sound development on the whole. During the Reporting Period, the Group adopted appropriate and effective strategies to cope with changing drug policy and market environment. Meanwhile, following the completion of a series of internal business reorganisation which included the establishment of product business units, the Group strengthened its professional in-house marketing team and refined its management of third-party promotion partners, and as a result of which further enhanced the layout of the Group's product distribution and marketing network, and realised further products' potential.

Sales of the Group's more mature products, such as Difene, Fluxum and Polimod, maintained strong growth in the market during the Reporting Period. As one of the Group's best selling products, Difene has established a strong reputation and brand recognition in China after years of market positioning, brand building and expansion of marketing network. The Group's 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 in 2014. However, with the completion of the reorganisation and adjustment of regional promotion and sales network, sales of Difene have returned to pre-reorganisation levels and appeared to be on its normal growth track. For the Reporting Period, the Group's sales of Difene increased by 15.1% compared to the same period last year to RMB58.0 million. The Group further enhanced management of third-party promotion partners of Difene, accelerated its network penetration into more hospitals and small-sized medical institutions, and closed certain gaps identified in the marketing area. Moreover, since this year, Difene successively won bids with favourable pricing in a number of provinces across China. The Group believes Difene still has huge market potential in the future.

Fluxum is another one of the Group's best selling products, which achieved rapid development during the Reporting Period, with sales volume increased by 50.1% compared to the same period last year. Fluxum is the originator of parnaparin, integrated by three dosages series. The Group maximised the opportunities offered by the range of Fluxum's different dosage, and strategically carried out the market layout in a new round of drug tender process, so as not only to maintain the existing markets, but also to cover the gaps of marketing areas and achieved stability in the pricing system. In addition, the Group consistently enhanced its cooperation with third-party promotion partners, reinforced close monitoring and effective involvement of clinical promotion of in-house marketing team, continuously tapped into new markets and increased the market share of Fluxum, which maintains its leading market position in the fields of similar products. During the Reporting Period, the Group witnessed a recorded increase in new hospital coverage rate for Fluxum, which demonstrated a clear trend of improved layout of marketing network. The Group believes Fluxum has laid a solid foundation for high growth in the next few years with the exploration of untapped markets and reasonable market network layout.

Polimod is the originator of pidotimod, featuring obvious advantages in quality and clinical efficacy comparing to generic drugs. The excellent efficacy and safety of Polimod are increasingly recognised and, as a result, Polimod has been increasingly recommended by doctors to patients. Polimod has established a strong brand recognition in the pidotimod products field. During the Reporting Period, the Group's sales of Polimod were RMB73.5 million, representing a 115.3% increase compared to the same period last year. The Group targeted at increasing the volume of Polimod sold at each hospital through increasing marketing conference and medical detailing, cultivating doctors medication habits. Further, the proportion of sales of Polimod in retail pharmacies increased significantly during the Reporting Period reflecting the Group's efforts made in promoting the product in pharmacies.

The Group has also steadily progressed the development of its other products that are relatively new in the market. Starting from December 2014, the Group has increased the coverage of its exclusive rights to import, sell and co-promote Neoton from five provinces to cover the entire China. Neoton is primarily used for ischemic heart diseases and cardiomyopathy resulting from various causes. During the Reporting Period, the Group carried out a number of marketing initiatives for Neoton. In the new regions where the Group is authorised to market and promote the product, the Group modified its marketing strategy to tailor for local conditions and implemented flexible approach to selecting third-party promotion partners according to the market environment in the different regions, with the aim to maximising the market coverage of the product by rapidly developing and increasing coverage over the untapped markets through effective utilization of the Group's resources in cardiovascular products and the improved management of third-party promotion partners. Moreover, as the sole importer and distributor of Neoton in China, the Group started to provide channel management services for co-promotion party since June 2015. The Group believes that Neoton will enter into a round of rapid development period.

The Easyhaler series products include Budesonide Easyhaler and Salbutamol Easyhaler, both of which are inhalation drugs used for the treatment of asthma or chronic obstructive pulmonary disease ("**COPD**") in respiratory therapeutic area. Easyhaler products deliver a more scientific and standard theory and method for treatment of asthma and COPD. Since the beginning of this year, Budesonide Easyhaler won over 10 provincial bids and Salbutamol Easyhaler was admitted to the National Cheap Drugs List. The Group is waiting for the official execution of the tender results. Meanwhile, the Group continued to enhance its academic promotion efforts by organising and participating in various academic promotion conferences, in order to strengthen Easyhaler's brand recognition. In light of the favourable policy environment and the efforts of the academic promotion, the Group believes that Easyhaler series products will become important products.

In 2014, the Group acquired a controlling equity stake in and restructured the debts of Covex, S.A and Covex, Farma S.L. (collectively referred to as "**Covex Group**") of Spain, which enabled the Group to obtain stable, high quality Vinpocetine API at a low cost. During the Reporting Period, certain clients' sales of Vinpocetine finished products were affected by the tender results, resulted in a decrease in demand for Vinpocetine API, which adversely affected the Group's sales of Vinpocetine API. Further, the price competition of domestic generic drug also impacted the market. However, the Group continues to seek ways to increase the sales of Vinpocetine API by maintaining its close relationships with existing clients, as well as actively developing new clients, particularly those that have newly obtained the approval to manufacture Vinpocetine and potential clients who are applying for such approval. Due to aging population, the demand for anti-senile dementia products continues to be on the rise. Relying on the obvious quality advantages over domestic generic drugs and the excellent services provided to clients before and after sales, the Group believes that Vinpocetine API still has huge market potential.

During the Reporting Period, the Group's sales of WaveLight Eagle laser surgical series were adversely affected by a suspension of tender process on large scale equipment in public hospitals, which also negatively impacted the Group's overall sales in the medical devices segment. For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 35.4% compared to the same period last year to RMB70.4 million, representing 8.8% of the Group's revenue. Gross profit decreased by 32.8% compared to the same period last year to RMB26.9 million, representing 10.6% of the Group's gross profit. The Group's sales of WaveLight Eagle laser surgical series decreased by 70.3% compared to the same period last year to RMB17.6 million.

The Group has in the past primarily sold WaveLight Eagle laser surgical series through entering into co-operation agreements with public hospitals following a medical equipment tender process. The terms of the agreement typically provide that the Group will transfer the right of use of the equipment to the hospital and the hospital will, during the term of the agreement, purchase consumables of the equipment from the Group for an annual minimum amount. Upon expiry of the agreement term, the ownership of the equipment will be transferred to the hospital with no additional charges. During the Reporting Period, under the reformation polices of public hospitals, the tender process of large scale medical equipment was effectively suspended, which slowed down the progress of establishing cooperation between the Group and public hospitals. The Group also evaluated entering into similar cooperation arrangement with private hospitals but considered that private hospitals may not be able to meet any subsequent annual minimum purchase of consumables. Accordingly, the Group decided at the present not to enter into cooperation arrangement with private hospitals in relation to WaveLight Eagle laser surgical series. The Group considers that the sales model of WaveLight Eagle laser surgical series is different from the business of pharmaceutical products and medical consumables, with lower gross profit margin compared to sales of pharmaceutical products and medical consumables though the provision of comprehensive marketing, promotion and channel management service, and their sales have limited impact on the overall net profit of the Group. Moreover, during the Reporting Period, the Group substantially increased the sales of consumables of WaveLight Eagle laser surgical series to the existing cooperating hospitals through a series of academic promotion efforts, and achieved remarkable results.

Except for WaveLight Eagle laser surgical series products, the Group's product portfolio of medical devices covers other medical specialties including intraocular lens (IOL), odontology equipment and consumables and wound care products. The Group will continue market development for its medical devices. As and when large scale medical equipment tender process in public hospitals resumes, the Group will seek opportunities to establish business co-operation with public hospitals nationwide. Meanwhile, the Group will also dedicate to select and sign up further medical consumables to enrich the Group's portfolio of medical devices.

During the Reporting Period, the Group's intraocular lens (IOL), odontology equipment and consumables achieved steady development. Sales of intraocular lens (IOL) and odontology equipment and consumables were RMB50.0 million, representing a 40.2% increase compared to the same period last year.

NeutroPhase, a consumable among the Group's portfolio of medical devices and approved by the China Food and Drug Administration (the "**CFDA**") in September 2014, was officially launched in the market by the Group during the Reporting Period. 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 Group is implementing full-scale sales and marketing activities for NeutroPhase, including appointing third-party promotion partners across the country and tracking regional tender process to increase the regional penetration of NeutroPhase. Additional marketing activities included collecting feedback of clinical cases, organising academic promotion activities targeted at doctors and opinion leaders in the wound care area, and initiating joint clinical studies with several renowned Class III hospitals across the nation. During the Reporting Period, the Group appointed third-party promotion partners of NeutroPhase in nearly 20 provinces and municipals, won bids in over 10 cities covering a number of hospitals in these cities. The clinical cases received positive feedback from doctors and experts in the wound care area. Academic promotion efforts and clinical studies help establish the brand recognition of NeutroPhase in wound care area, and lay solid foundation for the sales growth of the product. As a brand new medical device product in the wound care area, NeutroPhase does not have the corresponding charge coding in hospitals. Currently, the Group is working to resolving this issue. With the gradual resolution of the charge coding issue, the Group believes that NeutroPhase, as the sole effective and safe wound care product in the market, would become a significant contributor to the Group's performance.

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

	For the six months ended 30 June			
Category	**2015** ***RMB'000*** **(Unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2014 *RMB'000* (Unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**446,742**	**55.6**	397,828	53.8
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**55,903**	**22.1**	56,898	23.6

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. The Group also provides co-promotion services for eight products of Alcon. For the Reporting Period, the Group's revenue from the sales of Alcon series ophthalmic pharmaceutical products was RMB446.7 million, representing a 12.3% increase compared to the same period last year, and contributing 55.6% of the Group's revenue.

Last year, 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 in 2014. Since the beginning of this year, Alcon has taken certain initiatives to deal with the changing environment, by adjusting its marketing strategy in China and enhancing the promotion of Alcon's brand awareness. During the Reporting Period, Alcon launched two new ophthalmic drugs in the Chinese market to meet the demand of more patient population. In addition, the Group further enhanced the efforts of co-promotion service for the eight Alcon's products. Due to aging population and lifestyle changes, the incidence of ophthalmic diseases continues to be on the rise. This has led to significant increase in market demand for ophthalmic pharmaceutical products. With their market leading position, Alcon's eye care products are expected to enjoy sustained development in these favourable macroeconomic trends, and the Group will also benefit from these factors.

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 aim is to build up a product pipeline that would sustain the Group's long term growth. When selecting prospective product candidates, the Group considers factors such as clinical features, competitive environment, registration and regulatory regime and reputation of suppliers. In addition to the existing products referred to above, the Group has secured the marketing, promotion and sales rights for 14 additional prescription pharmaceutical products and over 20 additional 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 of third-party promotion partners, distributors, key opinion leaders and marketing channels to launch these pipeline products promptly once approvals are obtained.

During the Reporting Period, the Group entered into a supplementary agreement to the exclusive distribution agreement with BioCer Entwicklungs GmbH ("**BioCer**"), an innovative German medical device company, which develops, manufactures and markets products for biological surgical implants. The Group will distribute BioCer's TiO_2Mesh™Bra product, on an exclusive basis in China following product registration. The product is an innovative surgical mesh implant for breast reconstruction after mastectomy. The product will greatly improve the efficacy for breast reconstruction since the biocompatibility (due to its pure titanium oxide coating) provides improved implant ingrowth, and its hydrophilic surface supports connective tissue attachment and provides optimal mesh structure for biodynamic stress-strain characteristic. The fast growing surgical implant market in China offers significant potential for the development of both BioCer and the Group.

2 Marketing Network Developments

The Group's development strategy focuses on continuously expanding the Group's marketing network. The Group's marketing and promotion model comprises in-house marketing team and a team of third-party promotion partners. To maintain the efficiency and stability of its 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 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 which 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.

In the second half of 2014, the Group restructured its business organisation in order to further strengthen the professional in-house marketing team, and enhanced the management over its third-party promotion partners. The Group established product business units each assigned with a different product or product series. Each product business unit has its own general manager or director as the leader, supported by a dedicated sales, market, business and financial team, and carries out their own marketing, promotion and sales work tailored for their own products.

After over half a year of adjustments and running-in, with numerous improvements and modifications, the new organisation structure has shown obvious results. In terms of building the professional in-house team, each business unit has developed their own in-house marketing team through internal reorganisation of human resources as well as recruitment of new talent externally. At the same time, the Group further strengthened the direct involvement of its in-house marketing team in marketing activities such as academic promotion of products. As of 30 June 2015, the Group had over 260 in-house marketing and promotion employees. In terms of enhancing the management of third-party promotion partners, the business units have overhauled the structure, and introduced detailed management and performance review process for third-party promotion partners. In addition, the in-house marketing team has reinforced the training and support given to third-party promotion partners to improve the quality and widen the market coverage to ensure that any gaps in the market identified are filled and products' potential are fully realised. During the Reporting Period, the Group's mature products such as Difene, increased its market coverage by over 200 new hospitals and medical institutions, and Fluxum increased its market coverage by over 130 new hospitals, representing a record breaking rate of hospital coverage growth over the years. The Group's products that are relatively new in the market, such as Neoton, increased market coverage by over 20 new hospitals. The new organisation structure has shown considerable potential and will definitely drive the development of the Group's products in the long run.

As of 30 June 2015, the Group sold products through its nationwide marketing, promotion and channel management services networks to over 29,000 hospitals and other medical institutions and over 105,000 pharmacies across 31 provinces, municipalities and autonomous regions in China.

3 Future and Outlook

Looking forward, the environment of the PRC pharmaceutical industry is undergoing significant changes and the pharmaceutical industry as a whole is faced with unprecedented challenges. However, the Group always believes that challenges will also bring opportunities. Overall, the PRC pharmaceutical industry is still experiencing rapid growth. Facing with the changes and development of the pharmaceutical industry, the Group will take advantage of its competitive strength, and seize any opportunities that arise to achieve long-term sustainable development.

The Group will adhere to its strategic product selection strategy and proactively identify products with high growth potential. The Group will continue to select and add to its portfolio further prospective products and to establish cooperation relationships with suppliers through equity acquisition or strategic investment in addition to entering into exclusive distribution agreements. Meanwhile, the Group will continue to improve its sales and marketing network, further strengthen the building of professional in-house team and enhance the management of third-party promotion partners, tap into the unfilled market and while increase market share in existing market, so as to optimise the Group's marketing resources and maximise the products' market value.

FINANCIAL REVIEW

Revenue

Revenue increased by 8.7% from RMB738.8 million in the six months ended 30 June 2014 to RMB803.2 million in the Reporting Period. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 23.3% from RMB232.0 million in the six months ended 30 June 2014 to RMB286.1 million in the Reporting Period, primarily due to increased sales of certain existing key products, including Difene, Fluxum, Polimod and Neoton, as a result of the increased coverage of these products through expanded marketing network. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 35.4% from RMB109.0 million in the six months ended 30 June 2014 to RMB70.4 million in the Reporting Period, primarily due to decreased sales of WaveLight Eagle laser surgical series, as a result of the suspension of tender process of large scale equipment in public hospitals. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 12.3% from RMB397.8 million in the six months ended 30 June 2014 to RMB446.7 million in the Reporting Period, primarily due to the increasing market demand for Alcon products as well as increased promotion efforts for the eight Alcon products for which the Group provided co-promotion services.

Cost of sales

Cost of sales increased by 10.6% from RMB497.5 million in the six months ended 30 June 2014 to RMB550.5 million in the Reporting Period, primarily due to a substantial increase in sales. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 32.6% from RMB87.6 million in the six months ended 30 June 2014 to RMB116.1 million in the Reporting Period. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 36.9% from RMB69.0 million in the six months ended 30 June 2014 to RMB43.5 million in the Reporting Period. Cost of sales in products sold via the provision of co-promotion and channel management increased by 14.6% from RMB340.9 million in the six months ended 30 June 2014 to RMB390.8 million in the Reporting Period.

Gross profit and gross profit margin

Gross profit increased by 4.8% from RMB241.3 million in the six months ended 30 June 2014 to RMB252.7 million in the Reporting Period. The Group's average gross profit margin decreased from 32.7% in the six months ended 30 June 2014 to 31.5% in the Reporting Period. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased from 62.2% in the six months ended 30 June 2014 to 59.4% in the Reporting Period, primarily due to a decrease in the bid price of some pharmaceutical products in certain regions compared to the same period last year. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 36.7% in the six months ended 30 June 2014 to 38.2% in the Reporting Period, primarily due to a higher proportion of revenue being derived from products that generate higher margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services decreased from 14.3% in the six months ended 30 June 2014 to 12.5% in the Reporting Period, primarily due to certain level of decline in bid price of products in several regions.

Other income

Other income increased by 85.7% from RMB21.4 million in the six months ended 30 June 2014 to RMB39.7 million in the Reporting Period, primarily due to an increase in the amount of government grants. Government grants amounting to RMB11.9 million in the Reporting Period were additional grants received by the Group's wholly-owned subsidiary Naqu Area Pioneer Pharma Co., Ltd ("**Naqu Pioneer**") and Xiantao City Pioneer Pharma Co., Ltd ("**Xiantao Pioneer**") in respect of taxes paid pursuant to local government's policies to encourage local business operation. In the six months ended 30 June 2014, the Group did not receive such government grants.

Distribution and selling expenses

Distribution and selling expenses decreased by 4.9% from RMB65.7 million in the six months ended 30 June 2014 to RMB62.5 million in the Reporting Period, primarily due to a decrease in distribution and selling expenses in respect of mature products. Distribution and selling expenses as a percentage of revenue decreased from 8.9% in the six months ended 30 June 2014 to 7.8% in the Reporting Period.

Administrative expenses

Administrative expenses increased by 39.9% from RMB21.4 million in the six months ended 30 June 2014 to RMB29.9 million in the Reporting Period primarily due to an increase in the consolidated administrative expenses of Covex Group, the depreciation cost of newly-built warehouse and office building, and the amortisation of renewed product licenses.. Administrative expenses as percentage of revenue increased from 2.9% in the six months ended 30 June 2014 to 3.7% in the Reporting Period.

Finance costs

Finance costs increased by 49.7% from RMB7.2 million in the six months ended 30 June 2014 to RMB10.8 million in the Reporting Period, primarily due to an increased average balance of bank borrowings.

Income tax expense

Income tax expense decreased by 2.0% from RMB22.1 million in the six months ended 30 June 2014 to RMB21.6 million in the Reporting Period. The Group's effective income tax rate in the six months ended 30 June 2014 and the Reporting Period was 14.0% and 11.8%, 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 the Reporting Period included the recognition of RMB4.0 million of PRC withholding tax pursuant to the proposed payment of an interim dividend of RMB76.0 million.

Profit for the year

As a result of the above factors, the Group's profit increased by 18.2% from RMB136.0 million in the six months ended 30 June 2014 to RMB160.8 million in the Reporting Period. The Group's net profit margin increased from 18.4% in the six months ended 30 June 2014 to 20.0% in the Reporting Period.

Liquidity and capital resources

The Group has historically met its working capital and other capital requirements principally from net cash flow from operations with bank borrowings as supplement. The Group's cash and cash equivalents decreased from RMB260.8 million as of 31 December 2014 to RMB251.6 million as of 30 June 2015, primarily due to the payment of dividends, PRC withholding tax on dividends and purchases of the Company's shares pursuant to the Share Award Scheme in the Reporting Period.

Inventories

The Group's inventory balances decreased by 15.1% from RMB620.0 million as of 31 December 2014 to RMB526.5 million as of 30 June 2015, primarily due to a decrease in the inventory levels in the Reporting Period, compared to last year when there was an increase in certain products' inventories whose registration certificates were due for renewal.

Trade and other receivables

The Group's trade and other receivables increased from RMB576.0 million as of 31 December 2014 to RMB635.8 million as of 30 June 2015, primarily due to the increased revenue in the Reporting Period. At the same time, trade receivables turnover days increased from 73.0 days as of 31 December 2014 to 101.8 days as of 30 June 2015, primarily due to the relatively long credit period for medical devices' clients.

Trade and other payables

The Group's trade and other payables decreased from RMB473.7 million as of 31 December 2014 to RMB460.2 million as of 30 June 2015. The Group's trade payables turnover days increased from 123.7 days as of 31 December 2014 to 133.0 days as of 30 June 2015, primarily due to extended payment terms granted for certain products as a result of the Group's bulk purchases.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB869.6 million as of 30 June 2015 as compared to RMB610.4 million as of 31 December 2014. On 30 June 2015, the effective interest rate of the Group's bank borrowings ranged from 1.01% to 4.70%. As of 30 June 2015, bank borrowings of RMB869.6 million were secured by the pledge of the Group's trade receivables, bills receivables and bank deposits. As of 31 December 2014, bank borrowings of RMB520.4 million were secured by the pledge of the Group's bank deposits, trade receivables and bills receivables. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 34.5% as at 30 June 2015 compared to 23.9% as at 31 December 2014.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2015, the Group had a total of 379 employees. For the Reporting Period, staff costs of the Group were RMB22.2 million as compared to RMB24.4 million for the six months ended 30 June 2014. The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and the employee's performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary review and promotional assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. The Group has also adopted the Share Award Scheme to provide an incentive or reward to eligible participants for their contribution or potential contribution to the Group. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also provides continuous learning and training programmes to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the Reporting Period.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB5.7 cents per share for the six months ended 30 June 2015 payable on Wednesday, 14 October 2015 to the shareholders of the Company whose names appear on the register of members of the Company as at the close of business on Thursday, 17 September 2015. The interim dividend will be paid in Hong Kong dollars, such amount is to be calculated by reference to the middle rate last published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 5 October 2015.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Thursday, 17 September 2015, in order to determine the entitlement to shareholders to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 16 September 2015.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with the required standard set out in the Model Code and the code of conduct during the period throughout the six months ended 30 June 2015.

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

For the six-month period ended 30 June 2015, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities other than the purchases of the shares of the Company by the trustee pursuant to the Share Award Scheme.

SHARE AWARD SCHEME

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

No Awarded Share had been granted by the Company under the Share Award Scheme during the period between the Adoption Date and 30 June 2015. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (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 unaudited interim results of the Group for the six months ended 30 June 2015 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015

The interim report of the Company for the six months ended 30 June 2015 will be dispatched to shareholders of the Company and available on the websites of the Company (http://www.pioneer-pharma.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

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

Hong Kong, 25 August 2015

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