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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 2016

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 2016 together with comparative figures for the corresponding period in 2015, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2016 was RMB806.0 million, which represents a 0.3% increase compared to RMB803.2 million for the same period last year, and a sequential increase of 22.6% over the second half of last year.

- Net profit of the Group for the six months ended 30 June 2016 was RMB100.0 million, which represents a 37.8% decrease compared to RMB160.8 million for the same period last year, and a sequential increase of 757.4% over the second half of last year (or a sequential increase of 50.5% over the second half of last year, if excluding the impairment loss on goodwill and impairment loss net off reversal on investment in associates which totally amounted to RMB56.0 million in the second half of last year and RMB1.8 million in the six months ended 30 June 2016).

- Basic earnings per share for the six months ended 30 June 2016 was RMB0.076, which represents a 37.7% decrease compared to RMB0.122 for the same period last year, and a sequential increase of 590.9% over the second half of last year.

- The Board declared an interim dividend of RMB7.1 cents per share, which represents a 24.6% increase compared to RMB5.7 cents per share for the same period last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	**For the six months ended 30 June 2016** *RMB'000* **(Unaudited)**	2015 *RMB'000* (Unaudited)
Revenue	*3*	**806,029**	803,243
Cost of sales		**(554,719)**	(550,518)
Gross profit		**251,310**	252,725
Other income	*4*	**17,061**	39,702
Other gains and losses	*5*	**5,983**	3,059
Distribution and selling expenses		**(102,151)**	(62,537)
Administrative expenses		**(31,696)**	(29,943)
Finance costs		**(3,201)**	(10,821)
Share of loss of associates		**(20,743)**	(9,738)
Profit before taxation	*6*	**116,563**	182,447
Income tax expense	*7*	**(16,548)**	(21,611)
Profit for the period		**100,015**	160,836
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**(5,064)**	(10,728)
– Share of exchange differences of associates		**2,945**	(1,821)
– Fair value gain on other investments		**–**	15,711
Other comprehensive (expense) income for the period		**(2,119)**	3,162
Total comprehensive income for the period		**97,896**	163,998
Profit (loss) for the period attributable to:			
Owners of the Company		**98,807**	161,964
Non-controlling interests		**1,208**	(1,128)
		100,015	160,836
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**96,822**	166,835
Non-controlling interests		**1,074**	(2,837)
		97,896	163,998
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	*9*	**0.08**	0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2016

	Notes	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment		**76,097**	76,497
Prepaid lease payments		**2,193**	2,219
Intangible assets		**61,645**	61,207
Interests in associates	*10*	**58,458**	47,070
Other investments		**20,000**	20,000
Finance lease receivables		**52,722**	59,446
Loans and promissory note to associates		**1,364**	15,963
Deferred tax assets		**2,658**	2,132
		275,137	284,534
Current Assets			
Inventories		**555,630**	663,249
Finance lease receivables		**28,022**	21,720
Trade and other receivables	*11*	**441,681**	420,366
Amount due from related parties		**574**	1,296
Tax recoverable		**486**	475
Prepaid lease payments		**52**	52
Derivative financial instrument		**6,419**	251
Pledged bank deposits		**150,675**	112,968
Bank balances and cash		**295,740**	317,113
		1,479,279	1,537,490
Current Liabilities			
Trade and other payables	*12*	**382,772**	471,690
Tax liabilities		**19,305**	14,778
Bank borrowings	*13*	**252,836**	285,935
Provision		**1,803**	1,870
Obligations under finance lease		**2,669**	1,943
		659,385	776,216
Net Current Assets		**819,894**	761,274
Total Assets less Current Liabilities		**1,095,031**	1,045,808

	As at 30 June 2016 *RMB'000* (Unaudited)	As at 31 December 2015 *RMB'000* (Audited)
Capital and Reserves		
Share capital	**82,096**	82,096
Reserves	**961,602**	915,994
Equity attributable to owners of the Company	**1,043,698**	998,090
Non-controlling interests	**(575)**	(1,649)
Total Equity	**1,043,123**	996,441
Non-current Liabilities		
Deferred tax liabilities	**15,847**	13,406
Long-term liabilities	**22,207**	20,074
Liabilities for share award scheme	**266**	557
Obligation under finance leases	**13,588**	15,330
	1,095,031	1,045,808

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

Application of amendments to IFRS

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("**IFRS**") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

- Amendments to IAS 1 *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations; and*
- Amendments to IFRSs *Annual Improvements to IFRSs 2012–2014 Cycle*.

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

In addition, the Group applied the following new accounting policy in the current interim period.

Available-for-sales equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SEGMENT INFORMATION

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of pharmaceutical products	**742,418**	732,858
Sales of medical devices	**63,611**	70,385
	806,029	803,243

The Group's chief operating decision maker was the executive directors, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance. Segment profit represents the gross profit earned by each segment.

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

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

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

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

Segment revenues and results

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

For the six months ended 30 June 2016 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	**Products sold via the provision of co-promotion and channel management services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**323,242**	**482,787**	**806,029**
Cost of sales	**(124,853)**	**(429,866)**	**(554,719)**
Gross profit & segment result	**198,389**	**52,921**	**251,310**
Other income			**17,061**
Other gains and losses			**5,983**
Distribution and selling expenses			**(102,151)**
Administrative expenses			**(31,696)**
Finance costs			**(3,201)**
Share of loss of associates			**(20,743)**
Profit before taxation			**116,563**

For the six months ended 30 June 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 loss of associates			(9,738)
Profit before taxation			182,447

4. OTHER INCOME

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**6,227**	11,942
Interest on bank deposits	**4,131**	14,842
Interest on trust investments	**–**	3,049
Interest income on finance leases	**4,017**	7,169
Interest income on loans to associates	**563**	204
Service income	**1,746**	2,328
Others	**377**	168
	17,061	39,702

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gains (losses)	**4,504**	(4,062)
Impairment loss on trade and other receivables	**(8,781)**	(3,425)
Reversal of (impairment loss) on finance lease receivables	**1,259**	(5,506)
Gain on initial recognition of warrants and other investments *(Note)*	**4,476**	3,910
Gain on fair value changes of derivative financial instruments	**1,538**	1,523
Gain on dilution on interests in associates *(Note 10)*	**6,032**	10,619
Written off of interest receivable from an associate	**(1,290)**	–
Impairment loss on investment in an associate *(Note 10)*	**(6,378)**	–
Reversal of impairment loss on investment in an associate *(Note 10)*	**4,623**	–
	5,983	3,059

Note: During the six months ended 30 June 2016, amount represents the difference between the fair value at acquisition date of warrants over the acquisition cost (six months ended 30 June 2015: difference between the fair value at acquisition date of other investments and warrants over the total acquisition cost).

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**1,761**	1,901
Other staff's retirement benefits scheme contributions	**4,493**	3,420
Other staff costs	**16,838**	16,909
Total staff costs	**23,092**	22,230
Auditors' remuneration	**2,183**	1,512
Allowance for inventories, net	**713**	–
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**3,476**	4,088
Amortisation of intangible assets (included in administrative expenses)	**3,292**	2,905
Cost of inventories recognised as an expense	**554,719**	550,518
Minimum lease payment under operating lease in respect of premises	**153**	254

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**15,068**	24,006
Underprovision in prior period		
PRC Enterprise Income Tax	**–**	138
	15,068	24,144
Deferred tax		
Current period	**1,480**	(2,533)
	16,548	21,611

8. DIVIDENDS

During the six months ended 30 June 2016, a final dividend of RMB3.6 cents (six months ended 30 June 2015: RMB8.5 cents) per share in respect of the year ended 31 December 2015 (six months ended 30 June 2015: 31 December 2014) was declared and paid to the shareholders of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB47,500,000 (six months ended 30 June 2015: RMB112,507,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB7.1 cents per share, amounting to approximately RMB95,000,000 in aggregate (six months ended 30 June 2015: RMB75,274,000) will be paid to the shareholders of the Company whose names appear in the register of members as of the close of business on 23 September 2016.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**98,807**	161,964
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,296,965,710**	1,327,125,917

For the six months ended 30 June 2016 and 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both periods has been taken into account the ordinary shares purchased by the trustee on the market pursuant to the share award scheme.

For the six months ended 30 June 2016 and 2015, the diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding in both periods.

10. INTERESTS IN ASSOCIATES

Name of associates	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	
					30 June 2016	31 December 2015
Q3 Medical Devices Limited ("**Q3**") *(Note a)*	Incorporated	Ordinary shares	Manufacturing and trading of medical devices	Ireland/German	33.06%	36.57%
YingSheng 3D Medical Imaging Centre	Incorporated	Ordinary shares	Stomatological computed tomography services	PRC	35%	35%
NovaBay Pharmaceuticals Inc. ("**NovaBay**") *(Note b)*	Incorporated	Common shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	26.36%	11.71%

Notes:

(a) During the six months ended 30 June 2016, Q3 issued an aggregate of 42,970 ordinary shares to an investor. A gain on dilution of approximately RMB6,032,000 was recognised in profit or loss.

As of 30 June 2016, the Group held a total of 148,165 ordinary shares representing approximately 33.06% (31 December 2015: 36.57%) of the issued capital of Q3.

(b) During the six months ended 30 June 2016, NovaBay issued shares to various investors and the Group has subscribed 2,005,491 common shares together with 654,451 units of warrants of NovaBay at a total consideration of US$3,830,000 (equivalent to RMB24,909,000). As a result, the Group's interest in NovaBay was increased from 11.71% to 26.36%.

As of 30 June 2016, the Group held 26.36% of the issued capital of NovaBay.

Indicated by negative financial performance of Q3 and fluctuating quoted market price of NovaBay in the six months ended 30 June 2016, the Group takes into consideration to perform impairment assessment for their carrying amounts in accordance with IAS 36 Impairment of Assets as single assets.

The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. As NovaBay is listed securities in New York Stock Exchange in the United States, its fair value less costs of disposal can be determined based on the quoted market price of the shares as management of the Group considers that the cost of disposal are insignificant.

In assessing the value in use of Q3 and NovaBay as at 31 December 2015 and 30 June 2016, it has been determined based on the Company's share of the present value of the estimated future cash flows expected to be generated by Q3 and NovaBay. The value in use calculations use cash flow projections for the Q3 and NovaBay based on financial budgets approved by management covering a 5-year period.

They are based on a discount rate of 15.39% and 15.40%, respectively. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the investment in Q3 and NovaBay as at 30 June 2016 have been determined based on the value in use calculations and quoted market price, respectively. For NovaBay, the recoverable amount of the investment is greater than the corresponding carrying amount. Hence, the Company recognised a reversal of impairment loss of approximately RMB4,623,000 (31 December 2015: an impairment loss of approximately RMB41,263,000) for the six months ended 30 June 2016 in relation to the interests in associates.

The recoverable amount of the investment in Q3 is lower than the corresponding carrying amount, an impairment loss of approximately RMB6,378,000 was recognised for the six months ended 30 June 2016 (31 December 2015: nil).

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
THE GROUP		
Trade receivables	**366,188**	314,644
Less: Allowance for doubtful debts	**(15,421)**	(6,640)
	350,767	308,004
Bill receivables	**52,948**	83,895
	403,715	391,899
Other receivables, prepayments and deposits	**21,472**	20,716
Less: Allowance for doubtful debts	**(129)**	(129)
	425,058	412,486
Interest receivables	**5,682**	3,249
Advance payment to suppliers	**4,406**	3,276
Other tax recoverable	**6,535**	1,355
Total trade and other receivables	**441,681**	420,366
Classified as:		
– Current		
Trade receivables	**350,767**	308,004
Bill receivables	**52,948**	83,895
Other receivables, prepayments and deposits	**37,966**	28,467
	441,681	420,366

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, the remaining sales of medical devices involved immediate transfer of legal ownership with contract sums to be settled by instalments over a general period of 12 to 36 months as stated in contracts are included in trade receivables.

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

	As at 30 June 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**243,823**	197,365
61 days to 180 days	**63,652**	77,349
181 days to 1 year	**27,806**	21,514
1 year to 2 years	**15,486**	11,776
	350,767	308,004

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

	As at 30 June 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**13,544**	47,399
61 days to 180 days	**26,859**	34,172
181 days to 1 year	**10,601**	7,284
1 year to 2 years	**1,944**	100
	52,948	83,895

12. TRADE AND OTHER PAYABLES

	As at 30 June 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
THE GROUP		
Trade payables	**352,501**	426,078
Payroll and welfare payables	**4,351**	6,424
Advance from customers	**5,700**	4,045
Other tax payables	**1,138**	1,457
Marketing service fee payables	**5,858**	4,404
Interest payables	**711**	1,726
Deposits received from distributor	**5,642**	7,094
Accrued purchase	**22,207**	20,074
Other payables and accrued charges	**6,871**	20,462
	404,979	491,762
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**(22,207)**	(20,074)
	382,772	471,690

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

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

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

	As at 30 June 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
THE GROUP		
0 to 90 days	**221,284**	425,561
91 to 180 days	**130,820**	–
181 to 365 days	**247**	416
Over 365 days	**150**	101
	352,501	426,078

13. BANK BORROWINGS

During the current interim period, the Group obtained various new bank loans to finance its business operation of approximately RMB166,243,000 (31 December 2015: RMB768,910,000). The amounts are secured and due within one year.

As at 30 June 2016, 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 2016 *RMB'000* **(Unaudited)**	As at 31 December 2015 *RMB'000* (Audited)
Pledge of assets		
Bills receivables	**–**	7,629
Trade receivables	**351,713**	304,629
Pledged bank deposits for bank borrowings	**131,985**	100,708
Pledged bank deposits for letter of credit	**18,690**	12,260
	502,388	425,226

As 30 June 2016, the effective interest rates on the Group's fixed-rate borrowings are ranging from 1.01% to 4.79% (31 December 2015: 1.01% to 4.97%).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

As 2016 progresses, the slowdown of China's macro economic growth saw the government responding by introducing supply-side structural reforms. There have been a number of policies related to the pharmaceutical industry being announced, including the policies on "Consistent Evaluation of Generic Drugs" and "Two-Invoice System and VAT Model", as well as the launch of a wave of tender processes in various provinces, and the accelerated reform witnessed in the public hospitals, all of which have a significant impact on China's pharmaceutical industry. On the other hand, as the idea of a "Healthy China" has been raised as a nationwide strategic objective under the "13th Five-Year Plan", and coupled with the aging population in China, the long term potentials and demand in the pharmaceutical industry remain positive and strong. Operating in a distinctive and important segment of the pharmaceutical industry, the Group, leveraging on its competitive strength, will strive to seize appropriate opportunities to further develop its business amid the challenging market environment.

In 2015, especially in the second half of the year, the Group encountered a number of uncontrollable factors resulting its product development to experience pressures and challenges. As a result, the overall operating performance of the Group in 2015 was adversely affected with the Group's operating performance in the first half of 2015 much better than that of the second half. Since 2016, as these external factors gradually faded away, the Group's operating performance is moving back on track.

For the six months ended 30 June 2016 (the "**Reporting Period**"), the Group's revenue increased by 0.3% compared to the same period last year to RMB806.0 million, which represented a sequential increase of 22.6% over the second half of last year. Net profit decreased by 37.8% compared to the same period last year to RMB100.0 million, which represented a sequential increase of 757.4% over the second half of last year (or a sequential increase of 50.5% over the second half of last year, if excluding an impairment loss on goodwill and impairment loss net off reversal on investment in associates which totally amounted to RMB56.0 million in the second half of last year and RMB1.8 million in the six months ended 30 June 2016).

Since 2016, increasing cost controls by medical insurance and decreasing drug prices in the tender processes became the new normal. Notwithstanding such untiring pressures caused by the government policies, the overall pharmaceutical industry appears to have been stabilised and is trending upwards. For the pharmaceutical products segment, the Group continues to adopted effective measures to proactively manage the impact brought on by the pricing policies and market changes, and as a result, achieved pleasing results. It managed to turn around from the unfavorable performance experienced in the second half of last year. For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.3% compared to the same period last year, and sequentially increased by 45.6% compared to the second half of last year to RMB259.6 million, representing 32.2% of the Group's revenue for the Reporting Period. Gross profit decreased by 3.1% compared to the same period last year, and sequentially increased by 45.7% compared to the second half of last year to RMB164.8 million, representing 65.6% of the Group's gross profit for the Reporting Period.

In 2015, the Group's sales of WaveLight Eagle laser surgical series decreased significantly due to the suspension of tender process on large scale equipment in public hospitals. Since 2016, the Group promptly adjusted its development strategy for the medical device business by focusing on development of other medical device consumables. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% compared to the same period last year, and sequentially increased by 1.9% compared to the second half of last year to RMB63.6 million, representing 7.9% of the Group's revenue for the Reporting Period. Gross profit increased by 25.2% compared to the same period last year, and sequentially decreased by 26.3% compared to the second half of last year to RMB33.6 million, representing 13.4% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group continued to maintain its close cooperation with Alcon via the provision of co-promotion and channel management services. The Group provides channel management services for all of Alcon's 24 ophthalmic pharmaceutical products sold in China and provides co-promotion services for 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 8.1% compared to the same period last year, and sequentially increased by 15.8% compared to the second half of last year to RMB482.8 million, representing 59.9% of the Group's revenue for the Reporting Period. Gross profit decreased by 5.3% compared to the same period last year, and sequentially increased by 3.3% compared to the second half of last year to RMB52.9 million, representing 21.1% of the Group's gross profit for the Reporting Period.

1 Product Development

As of 30 June 2016, the Group had a product portfolio of pharmaceutical products (substantially all of which were prescription products) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, respiratory, gastroenterology and other therapeutic areas; and medical devices covering several medical specialties including ophthalmology, 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					
Category	**30 June 2016** *RMB'000* **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** (%)	31 December 2015 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*	30 June 2015 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:						
Pharmaceutical Products	**259,631**	**32.2**	178,356	27.1	286,116	35.6
Medical Devices	**63,611**	**7.9**	62,421	9.5	70,385	8.8
Gross Profit:						
Pharmaceutical Products	**164,779**	**65.6**	113,059	53.9	169,969	67.3
Medical Devices	**33,610**	**13.4**	45,577	21.7	26,853	10.6

During the Reporting Period, the market witnessed increasing cost controls exerted by medical insurance, drug price reduction pressure in the tender process in respective provinces and medical institutions limiting drug consumption has became the new normal. The Group responded by adopting a sensible bidding strategy highlighting the Group's products' superior quality. This strategy resulted in the Group's securing successive bids with reasonable pricing in a number of provinces where tender processes were held. Meanwhile, the Group continued to reinforce its marketing efforts with the aim to expanding market coverage and increasing sales volume. The Group's business segment of provision of comprehensive marketing, promotion and channel management services for pharmaceutical products is back on track. For the Reporting Period, revenue from this segment has shown significant sequential increase compared to the second half of last year.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB68.6 million, representing an increase of 18.2% compared to the same period last year, and a 26.4% sequential increase compared to the second half of last year. As the sole dosage product in the field of similar products, Difene successively won bids with favourable pricing in those provinces where tender processes were held. Not only did the Group maintain its existing markets for Difene, it also managed to extend market coverage by filling gaps identified. Through increasing marketing activities such as education programmes for doctors and patients on the product, and expanding its application to different departments in hospitals, the Group endeavoured to increase sales of Difene at each hospital. Furthermore, in view of the promotion of the policy on encouraging better utilisation of different medical institutions (分級診療政策), Difene has huge development potential in the primary medical market.

For the Reporting Period, the Group's revenue generated from the sales of Fluxum was RMB68.9 million, representing a decreased of 7.4% compared to the same period last year, but a sequential increase of 42.1% compared to the second half of last year. Fluxum is the originator of parnaparin, and comes with a series of three dosages. The Group capitalised on the range of different dosage offered by Fluxum, and strategically responded to the new round of drug tender processes around the country. As a result, the Group maintained Fluxum's position in the existing markets and also secured a stable pricing structure for the product. Since 2016, following a new round of tender process, the Group seized the opportunity presented by the exit of a number of competitors and tapped into certain new markets. During the Reporting Period, the Group continued to build on its network coverage for Fluxum by adding 120 new hospitals on top of the 300 plus new hospitals added to the network in 2015. Furthermore, by working closely with third-party promotion partners, the Group's in-house marketing team enhanced its efforts and participation in clinical promotion of Fluxum, which ensued increasing market share of Fluxum. Due to its leading market position in the fields of similar products, as well as the increasing recognition of anticoagulation among more hospitals, Fluxum has a solid foundation for long-term growth.

In the second half of 2015, due to the delay in the renewal of the imported drug licence of Polimod, the Group was unable to import and sell the products. With the approval of new licence, the Group has resumed importing and selling Polimod since April 2016. For the Reporting Period, the Group's revenue generated from the sales of Polimod (which was resumed in April 2016) was RMB43.4 million, representing a 41.0% decrease compared to the same period (six months) last year. At the beginning of this year, the Group entered into a supplemental agreement with the supplier, Polichem, pursuant to which the Group's rights to market, promote and sell Polimod has been extended from eight provinces to the whole territory of China. With respect to the new regions where the Group is authorised to market and promote Polimod, the Group carried out certain ground work to prepare such markets for the sale of Polimod, which paved the way for a smooth transition and as a result, Polimod was able to swiftly re-enter the market. Polimod is the originator of pidotimod, featuring obvious advantages in quality and clinical efficacy compared with the generic products and has established a strong reputation and brand recognition. By taking advantage of the broad application of Polimod in several departments in the hospitals, and the high level of recognition of its clinical efficacy by doctors, the Group will accelerate its marketing efforts and tap into the vast potential market presented by the expanded territory covered by the authorisation, and to increase the sales volume of Polimod. The Group is confident of Polimod's future development.

The Group has also firmly pressed ahead with the development of its other products in the pharmaceutical products segment (including Neoton, the Easyhaler series products, Macmiror Complex, Vinpocetine API, etc.). For the Reporting Period, the Group's revenue generated from the sales of these products was RMB78.7 million, representing an decrease of 1.8% compared to the same period last year, and a 4.2% sequential increase compared to the second half of last year. The Group's cardiovascular product Neoton, in respect of which the Group obtained the exclusive rights to import, sell and co-promote at the end of 2014, continued to experience significant growth. As the sole imported product and the originator of creatine phosphate sodium for injection, Neoton generally managed to win bids in the provincial tender process with favourable pricing. Meanwhile, the Group organised promotion activities by more frequently utilising the international academic status of the product, so as to strengthen the product recognition among doctors and patients and with the ultimate aim to increase the sales volume of the product. The Easyhaler series products are inhalation drugs used for the treatment of asthma and chronic obstructive pulmonary disease ("**COPD**") in respiratory therapeutic area, which deliver a scientific and standard theory and method for treatment of asthma and COPD. The Group continues to enhance its academic promotion efforts, so as to shorten the period by which doctors convert their treatment theory. As an exclusive suppository product in Nifuratel products field, Macmiror Complex maintained its market share in the gynecology therapeutic area. For Vinpocetine API, certain customers' sales of Vinpocetine finished products were affected by the tender results, which led to a fluctuation in the demand for Vinpocetine API. The Group is actively developing new clients among those who have newly obtained the approval to manufacture Vinpocetine and potential customers who are applying for such approval, to create new demand for the product.

During 2015, the Group's sales of WaveLight Eagle laser surgical series were decreased significantly due to the suspension of tender process on large scale medical equipment in public hospitals, which also adversely impacted the Group's overall performance. The Group adjusted its strategy and development plan for the medical devices business and focused on medical consumables. The Group's intraocular lens ("**IOL**"), odontology equipment and consumables achieved steady development. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% compared to the same period last year to RMB63.6 million, representing a 1.9% sequential increase compared to the second half of last year.

NeutroPhase, a wound cleanser featuring prominent sterilising effect, highly safety for cells and exclusive patent technology, is a consumable product among the Group's portfolio of medical devices. The product was officially launched in the market last year. During the Reporting Period, the issue of not having a charge code in hospitals remained an issue for NeutroPhase, which in turn adversely impacted the sales of the product. Nevertheless, the Group, following its unremitting efforts, has seen significant progress in rectifying such issue in several provinces. The Group will continue to follow up closely and resolve this issue promptly. Meanwhile, the Group continued to carry out market cultivation and increase investment in the market for NeutroPhase and achieved obvious development. As of 30 June 2016, NeutroPhase had won bids in 27 cities, and covered over 90 hospitals and medical institutions (including almost over 40 Class III hospitals) in these cities. In addition, the Group ran analysis of a large volume of data collected from clinical studies and a number of joint clinical studies with several renowned Class III hospitals in China. The Group then presented such studies at academic promotion activities organised by Group targeted at key opinion leaders and doctors in the wound care area. The clinical effectiveness of NeutroPhase was recognised by a growing number of experts and doctors. The Group believes that NeutroPhase will become a significant contributor to the Group's performance due to its vast market potential.

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

	For the six months ended					
Category	**30 June 2016** *RMB'000* **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** (%)	31 December 2015 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*	30 June 2015 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:						
Alcon series ophthalmic pharmaceutical products	**482,787**	**59.9**	416,879	63.4	446,742	55.6
Gross Profit:						
Alcon series ophthalmic pharmaceutical products	**52,921**	**21.1**	51,216	24.4	55,903	22.1

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

In the second half of 2015, Alcon adjusted its business strategy in China which resulted in some fluctuations in the sales of Alcon's ophthalmic pharmaceutical products. Further, a reduction in bid price in certain provinces following the tender process had also impacted the sales of Alcon's ophthalmic pharmaceutical products. Since 2016, notwithstanding the continued pricing pressure for Alcon's pharmaceutical products in certain provinces, with the more targeted promotion activities and more detailed market cultivations, sales of Alcon's pharmaceutical products are back on track. Besides, Alcon launched a new ophthalmic product in China to meet the demand of more patient population. The Group also further enhanced the efforts of co-promotion services for Alcon's products. For the Reporting Period, the Group's revenue generated from the sales of Alcon series ophthalmic pharmaceutical products increased by 8.1% compared to the same period last year to RMB482.8 million, representing a 15.8% sequential increase compared to the second half of last year, and contributing 59.9% of the Group's revenue. Gross profit decreased by 5.3% compared to the same period last year to RMB52.9 million, representing a 3.3% sequential increase compared to the second half of last year, and contributed 21.1% of the Group's gross profit.

1.3 Product Pipeline

Since 2015, the policy on registration of healthcare products has changed significantly and the process is becoming more difficult. In spite of that, the Group remains committed to seeking prospective product candidates for marketing, promotion and sales from overseas pharmaceutical and medical device companies. During the Reporting Period, the Group entered into a framework agreement with Inami of Japan ("**Inami**"), pursuant to which the Group was granted the exclusive marketing, promotion and channel management rights with respect to Inami ophthalmic medical devices marketed under the "Inami" brand in China. Its main products include synoptiscopes and certain ophthalmic surgical instruments. In addition, preparations for clinical trials have commenced for Mirtazapine (produced by Ehypharm of France, mainly used for the treatment of depressive episodes) and Quetiapine (produced by Orion of Finland, mainly used for the treatment of schizophrenia and moderates to severe manic episodes of bipolar disorder), both of which had obtained the clinical trial approval in the second half of 2015.

2 Marketing Network Developments

With the introduction of more policies relating to the healthcare industry, and the constant changes in the pharmaceutical market environment, having a well-developed and robust marketing network is fundamental for the Group's development. The Group's marketing and promotion model comprises in-house marketing team and a team of 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 the most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, each business unit of the Group, which was responsible for certain assigned products, focused on creating a more professional in-house marketing team and a team of third-party promotion partners to enhance operational efficiency and market responsiveness. The Group's headquarters was responsible for formulating macro marketing and promotion policies and ensuring resources are allocated in an efficient manner, so that the Group as a whole can allocate resources and manage costs efficiently.

In terms of building a professional marketing team, the Group continued to develop its in-house marketing team through internal reorganisation of human resources as well as recruitment of new talent externally, and further increased the involvement of its in-house marketing team in marketing activities such as direct participation in academic promotion of products. Concurrently, the Group increased its efforts in improving the quality of its third-party promotion partners, including providing further training and support to improve their understanding of the Group's products, and ensuring that accurate clinical solutions are provided to physicians in relation to the therapeutic area of the products. In terms of managing the marketing team, the Group has introduced detailed management and performance review process, to improve the team's efficiency, improve the network coverage by filling any gaps identified in the market and realise market potentials. In addition, the Group aims to improve the communication channel and platform with its third-party promotion partners to enable efficient information and experience sharing, and to jointly tackle changes in government policies and in the market. During the Reporting Period, the Group's market coverage grew substantially as a result of the improvement of its marketing network. For instance, Difene's market coverage has increased by over 400 new hospitals and medical institutions, and Fluxum's market coverage has increased by over 120 new hospitals. As of 30 June 2016, the Group had sold products through its nationwide marketing, promotion and channel management services networks to over 29,600 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

3 Future and Outlook

Looking forward, the Chinese pharmaceutical industry is entering into a new era. While there are challenges in the short-term due to the changes, the underlying structural adjustments of the industry will bring plenty of opportunities for the Group. In the medium and long terms, with the aging population and the expanding disease spectrum in China, the demand of the pharmaceutical industry continues to be on the rise. The Group will reinforce its role in the value chain of the Chinese pharmaceutical sector, and focus on its two core development strategies, being "Product" and "Marketing". By leveraging on its competitive advantages, the Group will further enhance its product portfolio, progress its marketing and promotion strategy, and seize any opportunities that may arise to achieve sustainable development.

FINANCIAL REVIEW

Revenue

Revenue increased by 0.3% from RMB803.2 million for the six months ended 30 June 2015 to RMB806.0 million in the Reporting Period. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.3% from RMB286.1 million for the six months ended 30 June 2015 to RMB259.6 million in the Reporting Period, primarily due to the resumption of the import and sales of the Group's Polimod products since April 2016 (only three-month sales during the Reporting Period), which resulted in a decrease of RMB30.1 million in revenue compared to the same period (six months) last year. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.6% from RMB70.4 million for the six months ended 30 June 2015 to RMB63.6 million in the Reporting Period, primarily due to the decrease of the revenue generated from the sales of ophthalmology medical devices. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 8.1% from RMB446.7 million for the six months ended 30 June 2015 to RMB482.8 million in the Reporting Period, primarily due to the return to the normal growth track of Alcon's ophthalmic pharmaceutical products through its business strategy adjustment in China's market as well as the Group's intensifying efforts on co-promotion services for Alcon's products.

Cost of sales

Cost of sales increased by 0.8% from RMB550.5 million for the six months ended 30 June 2015 to RMB554.7 million in the Reporting Period, primarily due to an increase of sales, and an increase of procurement costs of some products as a result of the exchange rate appreciation. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 18.3% from RMB116.1 million for the six months ended 30 June 2015 to RMB94.9 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 31.1% from RMB43.5 million for the six months ended 30 June 2015 to RMB30.0 million in the Reporting Period. Cost of sales in products sold via the provision of co-promotion and channel management services increased by 10.0% from RMB390.8 million for the six months ended 30 June 2015 to RMB429.9 million in the Reporting Period.

Gross profit and gross profit margin

Gross profit decreased by 0.6% from RMB252.7 million for the six months ended 30 June 2015 to RMB251.3 million in the Reporting Period. The Group's average gross profit margin decreased from 31.5% for the six months ended 30 June 2015 to 31.2% 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 increased from 59.4% for the six months ended 30 June 2015 to 63.5% in the Reporting Period, primarily due to an increase in the sales price of some products in certain regions and Polimod in new authorised regions. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 38.2% for the six months ended 30 June 2015 to 52.8% in the Reporting Period, primarily due to a higher proportion of revenue being derived from medical devices products which generate higher margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services decreased from 12.5% for the six months ended 30 June 2015 to 11.0% in the Reporting Period, primarily due to a decrease in the bid price of certain Alcon's ophthalmic pharmaceutical products.

Other income

Other income decreased by 57.0% from RMB39.7 million for the six months ended 30 June 2015 to RMB17.1 million in the Reporting Period, primarily due to a decrease in the amount of government grants and the interest income.

Distribution and selling expenses

Distribution and selling expenses increased by 63.3% from RMB62.5 million for the six months ended 30 June 2015 to RMB102.2 million in the Reporting Period. Distribution and selling expenses as a percentage of revenue increased from 7.8% for the six months ended 30 June 2015 to 12.7% in the Reporting Period, primarily due to an increase of marketing and promotion expense as a result of an increase in sales price of some products in certain regions, as well as an increase of marketing and promotion activities of new products and Polimod for expanding market shares in new authorised regions.

Administrative expenses

Administrative expenses increased by 5.9% from RMB29.9 million for the six months ended 30 June 2015 to RMB31.7 million in the Reporting Period, primarily due to the increasing amortisation of the newly operating information system and the increasing expenses on employee training. Administrative expenses as percentage of revenue increased from 3.7% for the six months ended 30 June 2015 to 3.9% in the Reporting Period.

Finance costs

Finance costs decreased by 70.4% from RMB10.8 million for the six months ended 30 June 2015 to RMB3.2 million in the Reporting Period, primarily due to a decrease in bank loans which result in lower interest expense.

Income tax expense

Income tax expense decreased by 23.4% from RMB21.6 million for the six months ended 30 June 2015 to RMB16.5 million in the Reporting Period. The Group's effective income tax rate for the six months ended 30 June 2015 and the Reporting Period was 11.8% and 14.2%, respectively. Since the beginning of 2012, the Group has been conducting business primarily through Naqu Area Pioneer Pharma Co., Ltd, which was subject to a reduced EIT rate of 9%. Income tax expense in the Reporting Period included the recognition of RMB5.0 million of PRC withholding tax pursuant to the declared payment of an interim dividend of RMB95.0 million.

Profit for the period

As a result of the above factors, the Group's profit decreased by 37.8% from RMB160.8 million for the six months ended 30 June 2015 to RMB100.0 million in the Reporting Period. The Group's net profit margin decreased from 20.0% for the six months ended 30 June 2015 to 12.4% 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 RMB317.1 million as of 31 December 2015 to RMB295.7 million as of 30 June 2016, primarily due to the payment of dividends and repayment of certain bank loans.

Inventories

The Group's inventory balances decreased by 16.2% from RMB663.2 million as of 31 December 2015 to RMB555.6 million as of 30 June 2016, primarily due to the sales in the past stock preparation of the products whose registration certificates were due for renewal, as well as the higher efficiency of inventory turnover as a result of the Group's enhancement of inventory management.

Trade and other receivables

The Group's trade and other receivables increased from RMB420.4 million as of 31 December 2015 to RMB441.7 million as of 30 June 2016. At the same time, trade receivables turnover days decreased from 89.4 days as of 31 December 2015 to 77.3 days as of 30 June 2016, primarily due to the Group's intensifying efforts in collecting accounts receivable.

Trade and other payables

The Group's trade and other payables decreased from RMB471.7 million as of 31 December 2015 to RMB382.8 million as of 30 June 2016. The Group's trade payables turnover days decreased from 149.5 days as of 31 December 2015 to 128.4 days as of 30 June 2016, primarily due to payment for the accounts payable of the past stock preparation during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB252.8 million as of 30 June 2016 as compared to RMB285.9 million as of 31 December 2015. On 30 June 2016, the effective interest rate of the Group's bank borrowings ranged from 1.01% to 4.79%. As of 30 June 2016, bank borrowings of RMB252.8 million were secured by the pledge of the Group's trade receivables and bank deposits. As of 31 December 2015, bank borrowings of RMB285.9 million were secured under the pledge of the Group's bills receivables, trade receivables and bank deposits. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 14.4% as of 30 June 2016 compared to 15.7% as of 31 December 2015.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2016, the Group had a total of 359 employees. For the Reporting Period, staff costs of the Group were RMB23.1 million as compared to RMB22.2 million for the six months ended 30 June 2015. 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. 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.

SIGNIFICANT INVESTMENT DURING THE REPORTING PERIOD

In February and May 2016, NovaBay issued shares to various investors including the Group. In February 2016, the Group entered into a securities purchase agreement with NovaBay, pursuant to which the Group purchased 696,590 ordinary shares of NovaBay for a total consideration of US$1,330,000. In May 2016, the Group further entered into a securities purchase agreement with NovaBay, pursuant to which the Group purchased 1,308,901 ordinary shares of NovaBay, 654,451 units of warrants with an exercise price of US$1.91 and an expiry date of 4 May 2020 for a total consideration of US$2,500,000.

As of 30 June 2016, the Group held a total of 2,413,644 ordinary shares of NovaBay, representing approximately 26.4% equity interest in NovaBay. Besides, the Group held 181,300 units of NovaBay warrants with an exercise price of US$1.81 and an expiry date of 5 March 2020, as well as 654,451 units of NovaBay warrants with an exercise price of US$1.91 and an expiry date of 4 May 2020.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 August 2016, the Group entered into a security purchase agreement with NovaBay to purchase 1,308,901 ordinary shares of NovaBay, 654,451 units of warrants with an exercise price of US$1.91 and an expiry date of 2 August 2020 for a total consideration of US$2,500,000 (equivalent to RMB16,608,000). Subsequent to the subscription, the Group held a total of 3,722,545 ordinary shares of NovaBay, representing approximately 33.1% equity interest in NovaBay. Besides, the Group held 181,300 units of NovaBay warrants with an exercise price of US$1.81 and an expiry date of 5 March 2020, 654,451 units of NovaBay warrants with an exercise price of US$1.91 and an expiry date of 4 May 2020, as well as 654,451 units of NovaBay warrants with an exercise price US$1.91 and an expiry date of 2 August 2020. NovaBay remains as an associate of the Group.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB7.1 cents per share for the six months ended 30 June 2016 payable on Friday, 14 October 2016 to the shareholders of the Company whose names appear on the register of members of the Company as of the close of business on Friday, 23 September 2016. The interim dividend will be paid in Hong Kong dollars, and such amount is to be calculated by reference to the middle rate last published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as of 5 October 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 23 September 2016, in order to determine the entitlement of shareholders to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 22 September 2016.

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 Listing Rules. The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2016. 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 each of the Directors has confirmed that he has complied with the required standard set out in the Model Code and the code of conduct throughout the six months ended 30 June 2016.

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

For the six months ended 30 June 2016, 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 certain shares of the Company by the trustee pursuant to the Share Award Scheme.

SHARE AWARD SCHEME

The Company has 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 Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015.

On 9 October 2015, the Board had resolved to grant a total of 25,060,000 awarded shares to 150 selected employees with the award price of HK$5.076 for each awarded share. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme for the six months ended 30 June 2016.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Xu Zhonghai; and one non-executive Director, namely Mr. Wu Mijia. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting, risk management and internal control systems, 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 2016 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016

The interim report of the Company for the six months ended 30 June 2016 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, 31 August 2016

As at the date of this announcement, the Directors 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.