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: 1345)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2016, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2017 was RMB1,028.2 million, which represents a 27.6% increase compared to RMB806.0 million for the same period last year.

- Net profit of the Group for the six months ended 30 June 2017 was RMB142.7 million, which represents a 42.7% increase compared to RMB100.0 million for the same period last year.

- Basic earnings per share was RMB0.109 for the six months ended 30 June 2017, which represents a 43.4% increase compared to RMB0.076 for the same period last year.

- The Board declared an interim dividend of RMB6.4 cents per share for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Notes	**For the six months ended 30 June 2017** *RMB'000* **(Unaudited)**	2016 *RMB'000* (Unaudited)
Revenue	*3*	**1,028,182**	806,029
Cost of sales		**(701,359)**	(554,719)
Gross profit		**326,823**	251,310
Other income	*4*	**30,664**	17,061
Other gains and losses	*5*	**(4,364)**	5,983
Distribution and selling expenses		**(152,872)**	(102,151)
Administrative expenses		**(31,444)**	(31,696)
Finance costs		**(1,255)**	(3,201)
Share of loss of associates		**(10,522)**	(20,743)
Profit before taxation	*6*	**157,030**	116,563
Income tax expense	*7*	**(14,356)**	(16,548)
Profit for the period		**142,674**	100,015
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
– Exchange differences on translation of financial statements of foreign operations		**6,184**	(5,064)
– Share of exchange differences of associates		**(1,970)**	2,945
Other comprehensive income (expense) for the period		**4,214**	(2,119)
Total comprehensive income for the period		**146,888**	97,896
Profit for the period attributable to:			
Owners of the Company		**141,348**	98,807
Non-controlling interests		**1,326**	1,208
		142,674	100,015
Total comprehensive income for the period attributable to:			
Owners of the Company		**145,570**	96,822
Non-controlling interests		**1,318**	1,074
		146,888	97,896
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	*9*	***0.11***	*0.08*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Notes	**As at 30 June 2017** ***RMB'000*** **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Non-current Assets			
Property, plant and equipment		**47,562**	49,853
Prepaid lease payments		**2,141**	2,167
Intangible assets		**15,335**	15,883
Interest in an associate	*10*	**77,024**	89,223
Other investment		**20,000**	20,000
Finance lease receivables		**27,830**	38,905
Deferred tax assets		**4,323**	5,947
Amount due from a related party		**104,913**	117,419
		299,128	339,397
Current Assets			
Inventories		**517,792**	520,244
Finance lease receivables		**36,919**	29,299
Trade and other receivables	*11*	**510,730**	436,837
Amounts due from related parties		**36,085**	39,805
Tax recoverable		**16**	78
Prepaid lease payments		**52**	52
Pledged bank deposits		**35,161**	73,120
Bank balances and cash		**326,789**	309,640
		1,463,544	1,409,075
Current Liabilities			
Trade and other payables	*12*	**539,318**	481,925
Amounts due to related parties		**331**	2,827
Tax liabilities		**28,663**	28,598
Bank borrowings	*13*	**40,000**	76,251
Provision		**1,981**	1,886
Obligations under finance lease		**3,762**	3,186
		614,055	594,673
Net Current Assets		**849,489**	814,402
Total Assets less Current Liabilities		**1,148,617**	1,153,799

	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Capital and Reserves			
Share capital		**82,096**	82,096
Reserves		**1,037,000**	1,028,763
Equity attributable to owners of the Company		**1,119,096**	1,110,859
Non-controlling interests		**1,010**	(308)
Total Equity		**1,120,106**	1,110,551
Non-current liabilities			
Deferred tax liability		**4,500**	7,250
Long-term liabilities	*12*	**14,352**	23,302
Liabilities for share award scheme		**344**	1,464
Obligation under finance leases		**9,315**	11,232
		1,148,617	1,153,799

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 on 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the People's Republic of China ("**PRC**"). The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Limited ("**Pioneer BVI**") and Tian Tian Limited, respectively. Both companies are incorporated in the British Virgin Islands and are controlled by Mr. Li Xinzhou ("**Mr. Li**") and Ms. Wu Qian, the spouse of Mr. Li.

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 7 *Disclosure Initiative*;
- Amendments to IAS 12 *Recognition of Deferred Tax assets for Unrealised Losses; and*
- Amendments to IFRS 12 *As part of the Annual Improvements to IFRSs 2014–2016 cycle.*

The application of the above 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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. 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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of pharmaceutical products	**964,566**	742,418
Sales of medical devices	**63,616**	63,611
	1,028,182	806,029

The Group's chief operating decision makers are 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 makers 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 2017 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	**Products sold via the provision of co-promotion and channel management services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**425,442**	**602,740**	**1,028,182**
Cost of sales	**(160,187)**	**(541,172)**	**(701,359)**
Gross profit & segment result	**265,255**	**61,568**	**326,823**
Other income			**30,664**
Other gains and losses			**(4,364)**
Distribution and selling expenses			**(152,872)**
Administrative expenses			**(31,444)**
Finance costs			**(1,255)**
Share of loss of an associate			**(10,522)**
Profit before taxation			**157,030**

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

4. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**19,583**	6,227
Interest on bank deposits	**1,560**	4,131
Interest income on finance leases	**3,556**	4,017
Interest income on loans to associates	**–**	563
Interest on amount due from a related party	**3,158**	–
Service income	**2,807**	1,746
Others	**–**	377
	30,664	17,061

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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains	**(14,566)**	4,504
Impairment loss reversed (recognised) in respect of trade and other receivables	**6,884**	(8,781)
Reversal of impairment loss on finance lease receivables	**3,025**	1,259
Gain on initial recognition of warrants	**–**	4,476
Gain on fair value changes of derivative financial instruments	**–**	1,538
Gain on dilution on interests in associates	**293**	6,032
Written off of interest receivable from an associate	**–**	(1,290)
Impairment loss on investment in an associate	**–**	(6,378)
Reversal of impairment loss on investment in an associate	**–**	4,623
	(4,364)	5,983

6. PROFIT BEFORE TAXATION

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**2,876**	1,761
Other staff's retirement benefits scheme contributions	**4,420**	4,493
Other staff costs	**21,050**	16,838
Total staff costs	**28,346**	23,092
Auditors' remuneration	**2,611**	2,183
Allowance for inventories, net	**1,014**	713
Release of prepaid lease payments	**26**	26
Depreciation for property, plant and equipment	**2,322**	3,476
Amortisation of intangible assets	**778**	3,292
Cost of inventories recognised as an expense	**701,359**	554,719
Minimum lease payment under operating lease in respect of premises	**97**	153

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**13,881**	15,068
Underprovision in prior period		
PRC Enterprise Income Tax	**1,601**	–
	15,482	15,068
Deferred tax		
Current period	**(1,126)**	1,480
	14,356	16,548

8. DIVIDENDS

During the six months ended 30 June 2017, a final dividend of RMB10.3 cents (six months ended 30 June 2016: RMB3.6 cents) per share in respect of the year ended 31 December 2016 (six months ended 30 June 2016: 31 December 2015) was declared and paid to the shareholder of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB137,333,000 (six months ended 30 June 2016: RMB47,500,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB6.4 cents per share, amounting to approximately RMB85,500,000 in aggregate (six months ended 30 June 2016: RMB95,000,000) will be paid to the shareholders of the Company whose names appear in the register of members as of the close of business on 18 October 2017.

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	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**141,348**	98,807
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,294,221,000**	1,296,965,710

For the six months ended 30 June 2017 and 2016, 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 from the market pursuant to the share award scheme.

For the six months ended 30 June 2017 and 2016, 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. INTEREST IN AN ASSOCIATE

Name of associate	Form of entity	Classes of shares held	Principal activity	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group	
					30 June 2017	31 December 2016
NovaBay Pharmaceuticals Inc. (“**NovaBay**”) *(Note)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	34.05%	34.14%

Note:

During the six months ended 30 June 2017, NovaBay issued an aggregate of 39,805 shares to various investors. A gain on dilution of approximately RMB293,000 was recognized in profit or loss. As of 30 June 2017, the Group held a total of 5,212,747 ordinary shares representing approximately 34.05% (31 December 2016: 5,212,747 ordinary shares representing approximately 34.14%) of issued shares of NovaBay.

Indicated by negative financial performance of NovaBay for the six months ended 30 June 2017, the Group takes into consideration to perform impairment assessment for its carrying amount in accordance with IAS 36 Impairment of Assets as single assets.

The Group takes into consideration the estimation of the recoverable amount of the associate which is the higher of value in use and fair value less costs of disposal. As the shares of NovaBay are listed on 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.

The recoverable amount of the investment in NovaBay as at 30 June 2017 has been determined based on the quoted market price. As the recoverable amount of the investment is greater than the corresponding carrying amount, nil impairment loss is recognised (31 December 2016: a reversal of impairment loss of approximately RMB41,263,000) for the six months ended 30 June 2017 in relation to the interest in an associate.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
THE GROUP		
Trade receivables	**424,912**	370,025
Less: Allowance for doubtful debts	**(12,525)**	(19,409)
	412,387	350,616
Bill receivables	**67,688**	70,693
	480,075	421,309
Other receivables, prepayments and deposits	**20,498**	10,065
Less: Allowance for doubtful debts	**(129)**	(129)
	500,444	431,245
Interest receivables	**1,402**	2,135
Advance payment to suppliers	**2,299**	2,633
Other tax recoverable	**6,585**	824
Total trade and other receivables	**510,730**	436,837

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 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 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**298,421**	250,654
61 days to 180 days	**56,252**	70,750
181 days to 1 year	**40,225**	21,085
1 year to 2 years	**10,049**	8,127
Over 2 years	**7,440**	–
	412,387	350,616

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

	As at 30 June 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
THE GROUP		
0 to 60 days	**24,632**	30,670
61 days to 180 days	**32,240**	31,642
181 days to 1 year	**10,816**	8,381
	67,688	70,693

12. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

	As at 30 June 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
THE GROUP		
Trade payables	**485,561**	416,914
Payroll and welfare payables	**7,046**	6,718
Advance from customers	**8,967**	12,798
Other tax payables	**787**	2,154
Marketing service fee payables	**15,935**	25,812
Interest payables	**367**	711
Deposits received from distributors	**15,803**	13,865
Accrued purchase	**14,352**	23,302
Other payables and accrued charges	**4,852**	2,953
	553,670	505,227
Less: Amounts due after one year shown under long-term liabilities *(Note)*	**(14,352)**	(23,302)
	539,318	481,925

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 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
THE GROUP		
0 to 90 days	**452,254**	415,591
91 days to 180 days	**30,268**	13
181 days to 1 year	**2,909**	1,235
Over 1 year	**130**	75
	485,561	416,914

13. BANK BORROWINGS

During the current interim period, the Group obtained a new bank loan to finance its business operation of approximately RMB40,000,000 (30 June 2016: RMB166,243,000). The amounts are due within one year. Such borrowing 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 2017 *RMB'000* **(Unaudited)**	As at 31 December 2016 *RMB'000* (Audited)
Pledge of assets		
Trade receivables	**424,058**	363,051
Pledged bank deposits for bank borrowings	**–**	50,000
Pledged bank deposits for letter of credit	**35,161**	23,120
	459,219	436,171

As at 30 June 2017, the effective interest rate on the Group's fixed-rate borrowing is 4.79% (31 December 2016: ranging from 1.81% to 4.79%).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Since 2017, a number of policies related to the Chinese pharmaceutical sector have been announced, including the introduction of several detailed regulations relating to the "Consistent Evaluation of Generic Drugs", the formal implementation of the "Two-Invoice System", and the issue of the new "National Drug Reimbursement Catalogue". The pharmaceutical manufacturing, pharmaceutical distribution and pharmaceutical retail industries have undergone tremendous changes as a result of these policies. Under the continued pressure of medical insurance cost controls, policies are still directed towards pursuing the most efficient use of medical insurance funds. The pressure of decreasing drug prices in tender processes, the integration of the pharmaceutical distribution industry driven by the "Two-Invoice System", and the reduction in non-market factors for the use of certain drugs through the separation of hospitals and pharmacies, are all aimed at improving the utilization efficiency of medical insurance funds. On the other hand, China's pharmaceutical industry is benefiting from both the aging of the population and the two-child policy. Each company in the industry must face the opportunities and pressures from the changes described above. Operating in a distinctive and important segment of the pharmaceutical industry, the Group, leveraging its competitive strengths, will endeavor to take opportunities to further develop its business amidst a changing and challenging market environment.

Despite the pressures of increasing medical insurance cost control and decreasing drug prices in tender processes, as the policy direction becomes clearer and the standard of regulatory compliance rises across the industry, the overall pharmaceutical industry appears to have largely stabilized and its performance is now trending upwards. The Group has proactively managed the impact of the aforementioned pricing policies and market changes, achieving pleasing results through emphasizing the development of its key products, while taking into account the market position and promotion of potential products. For the Reporting Period, the Group's revenue increased by 27.6% compared to the same period last year to RMB1,028.2 million. Net profit increased by 42.7% compared to the same period last year to RMB142.7 million.

For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 39.4% compared to the same period last year to RMB361.8 million, representing 35.2% of the Group's revenue for the Reporting Period. Gross profit increased by 40.7% compared to the same period last year to RMB231.9 million, representing 71.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services was RMB63.6 million, remaining flat compared to the same period last year, representing 6.2% of the Group's revenue for the Reporting Period. Gross profit slightly decreased by 0.8% compared to the same period last year to RMB33.4 million, representing 10.2% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group continued to provide channel management services for all of Alcon's 24 products sold in China and at the same time, provide co-promotion services for these products. For the Reporting Period, revenue generated from products sold via the provision of co-promotion and channel management services increased by 24.8% compared to the same period last year to RMB602.7 million, representing 58.6% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB61.6 million, representing 18.8% of the Group's gross profit for the Reporting Period.

1 Product Development

As of 30 June 2017, 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, orthopedics, odontology and wound care products.

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

	For the six months ended 30 June			
Category	**2017** ***RMB'000*** **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2016 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Pharmaceutical Products	**361,826**	**35.2**	259,631	32.2
Medical Devices	**63,616**	**6.2**	63,611	7.9
Gross Profit:				
Pharmaceutical Products	**231,902**	**71.0**	164,779	65.6
Medical Devices	**33,353**	**10.2**	33,610	13.4

During the Reporting Period, although existing pressures from medical insurance cost controls, drug price reduction in tender processes and drug consumption limitations in medical institutions have continued, the rate of decline of drug prices has slowed down and demand for drugs continues to be robust and to grow. The Group adopted a sensible bidding strategy in tenders, highlighting the Group's products' superior quality, resulting in the Group securing a stable market position for its products. Meanwhile, the Group reinforced its marketing efforts with the aim of 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 maintained rapid growth. During the Reporting Period, revenue generated from this segment increased by 39.4% compared to the same period last year to RMB361.8 million, representing 35.2% of the Group's revenue for the Reporting Period. Gross profit increased by 40.7% compared to the same period last year to RMB231.9 million, representing 71.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB69.6 million, representing an increase of 1.5% compared to the same period last year. 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 marketing network expansion. Difene is the sole dosage product of its type in the market and comes in 10-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sale of the 10-pack specification. Difene won favourably priced bids in those provinces where tender processes were held, maintaining a stable market position and development. During the Reporting Period, the later than expected official publication of tender results in some provinces led to delays in the progress of sales in some provinces of the Difene 20-pack specification, as well as several terminal pharmacies carried out audits of their core businesses pursuant to relevant national policy requirements, resulting in temporary fluctuations in their product purchasing volumes, which had some effect on overall Difene sales volumes. However, the Group believes that these temporary negative factors will gradually disappear, due to its solid market foundation and the promotion of the 20-pack specification in more provinces, Difene will continue to meet the different needs of increasing number of patients.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB96.5 million, representing an increase of 40.0% compared to the same period last year. Since last year, the Group made full use of the range of different dosage options available for Fluxum to implement sensible bidding strategies in the new round of drug tender processes in different provinces. As a result, the Group maintained Fluxum's position in existing markets and also entered into a number of new markets. Since 2017, following a new round of tender processes, the Group took the opportunity to enter new markets from which its competitors had exited, and the sales volumes in these new markets were substantial. In addition, Fluxum was listed as the only imported low molecular weight heparin product in the national essential medical insurance, industrial injury insurance and maternity insurance drug catalogue (the "**New National Drug Reimbursement Catalogue**") published by the Ministry of Human Resources and Social Security of the People's Republic of China in February 2017 which will create further opportunities to increase its market potential. By working closely with third-party promotion partners, and closely following and effectively participating in clinical promotions of Fluxum, the product increased its market share. During the Reporting Period, the Group increased its market coverage by over 290 new hospitals. Due to its leading market position among similar products, as well as the increasing recognition of anticoagulation among more hospitals, the Group believes that Fluxum has a solid foundation for long-term growth.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB95.7 million, representing an increase of 120.5% compared to the same period last year. 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 product. Following the approval of a new license in 2016, the Group resumed importing and selling Polimod from April 2016. In addition, the areas where the Group was entitled to market, promote and sell Polimod were extended from eight provinces to the whole territory of China in March 2016, as a result, the potential of the product in the market has improved significantly. After over one year of effort in preparing markets for the sale of Polimod, in new regions where the Group is authorised to market and promote Polimod, the Group has successfully taken over the market and business, allowing the product to rapidly enter those markets, as well as laying the foundations for the product's overall market position in the country. The Group is improving its product promotion strategy through active marketing measures tailored for different market environments in different regions. As the originator of Pidotimod, Polimod has obvious advantages in quality and clinical efficacy compared with generic products and has established a strong reputation and brand recognition. By further expanding the application of Polimod to more departments in hospitals, and increasing education programs for doctors and patients with respect to the product, the Group will accelerate its marketing efforts and tap into the large potential market in the expanded marketing territory, in order to increase the sales of Polimod.

The Group has also firmly pressed ahead with the market positioning and development of its other pharmaceutical products, achieving excellent results. For the Reporting Period, the Group's revenue generated from sales of these products was RMB100.0 million, representing an increase of 27.0% compared to the same period last year. Specifically, the Group's cardiovascular product Neoton, as the sole imported originator of creatine phosphate sodium for injection, following the new round of tender processes in different provinces, successfully entered a number of important new markets, laying the foundations for long term growth. Meanwhile, the Group took the opportunity presented by the exit of a number of competitors and used the international academic status of the product as a basis for promotional activities, strengthening the recognition of the product among doctors and patients and increasing market share. The Group's gynecological product Macmiror Complex is the only nifuratel product in suppository dosage in the market, which lays a solid ground for the academic promotion of the product. During the Reporting Period, the Group continues to took the opportunity of its inclusion in the National Drug Reimbursement Catalogue to strengthen marketing and promotion activities targeted at hospitals and departments covered by its network, and to grow its share in the gynecology therapeutic market. Given the constant changes in the pharmaceutical market, the Group will take full advantage of the competitive edge of these products, and take advantage of market development opportunities for each of these products, so as to continuously increase their contribution to the Group's revenue.

In recent years, China's medical device industry has undergone rapid development at a growth rate that even outpaced the pharmaceutical industry. The Group has provided comprehensive marketing, promotion and channel management services for imported medical devices in China since 2012, and has been deeply involved in the market. After several years of business operations, the Group adjusted its specific strategies for the medical device business in light of the changes in the market environment, focusing on the development of medical consumable products with greater market potential. At present, the Group has a wide range of medical devices products covering ophthalmic surgical equipment and consumables, intraocular lens, orthopedics consumables, odontology equipment and consumables and wound care products. For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services was RMB63.6 million, remaining flat compared to the same period last year, representing 6.2% of the Group's revenue for the Reporting Period. Gross profit slightly decreased by 0.8% compared to the same period last year to RMB33.4 million, representing 10.2% of the Group's gross profit for the Reporting Period. The Group will make full use of the resources and operating experience in respect of existing medical device products to expand the portfolio of medical devices and enhance its contribution to the Group's revenue.

NeutroPhase is a wound cleanser in the portfolio of medical consumables offered by the Group, which features outstanding clinical effect, a high level of safety for cells and a unique patented technology. Since its official launch in 2015, its sales were impacted due to the fact that it lacked a charge code at most hospitals. Nevertheless, the Group, following its significant efforts, has made significant progress in rectify such issue in several provinces, and has begun planning to develop new markets in the provinces concerned, which will lay the foundation for the long-term development of NeutroPhase. The Group will continue to closely monitor and promptly resolve the charge code issue in other provinces. Meanwhile, the Group continues to cultivate the market for NeutroPhase, by organizing academic promotion activities such as collecting feedback of clinical cases and initiating joint clinical studies with several renowned Class III hospitals in China, and has received further positive feedback from experts and doctors in the wound care area on the clinical effectiveness of NeutroPhase. As a result, there is unique brand awareness in respect of NeutroPhase in the field of wound care, which is a solid foundation for its rapid development in the future. As of 30 June 2017, NeutroPhase has won bids in 32 cities, and covered over 160 hospitals and medical institutions in these cities, of which 70 are Class III hospitals.

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

Category	For the six months ended 30 June			
	2017	**Percentage of the Group's Total Revenue/ Gross Profit**	2016	Percentage of the Group's Total Revenue/ Gross Profit
	RMB'000 **(unaudited)**	***(%)***	*RMB'000* (unaudited)	*(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**602,740**	**58.6**	482,787	59.9
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**61,568**	**18.8**	52,921	21.1

China's ophthalmic pharmaceutical industry has huge growth opportunities. Due to increasing school work and frequent use of electronic devices, patients with eye diseases caused by poor eye care habits are increasing rapidly and patients have become younger. In addition, as the aging of China's population accelerates, numbers of patients with age-related eye diseases are also increasing rapidly. China has huge potential inelastic demand for ophthalmic drugs.

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. Notwithstanding the continued pricing pressure in certain provinces, the sales of Alcon's ophthalmic drugs have increased steadily in 2017, thanks to its product quality, brand strength, precisely-targeted promotional activities and scrupulous cultivation of the market. In addition, Alcon continues to leverage its strength in ophthalmology and launch new ophthalmic products in China, so as to meet the demand of a larger patient base. For the Reporting Period, the Group's revenue generated from the sales of Alcon's ophthalmic pharmaceutical products increased by 24.8% compared to the same period last year to RMB602.7 million, representing 58.6% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB61.6 million, representing 18.8% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to its existing products referred to the above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective product candidates, the Group considers factors such as clinical effectiveness, competitive environment, registration and regulatory regime and reputation of suppliers.

During the Reporting Period, the Company entered into a distribution agreement with Ortho Development Corporation ("**Ortho Development**") of the United States in June 2017, pursuant to which the Company was granted the exclusive distribution rights with respect to Ortho Development's Balanced Knee® System products (the "**BKS Products**") in China (excluding the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan). The term of the agreement continues until the end of 2022. Upon the expiry of the initial term referred to above, the agreement may be extended by a year upon mutual consent of the parties. The BKS Products include implants and surgical instruments used in total knee replacement procedures. The system design is based on a proven technology and has over 17 years of successful clinical use. The implants are offered in a wide range of sizes and options to match the different physical conditions of individual patients. The system includes a patented locking mechanism specifically designed to minimize micro-motion between tibial insert and tibial base plate implants. The medical device registration for such products has been completed. The Group intends to market these products as soon as practicable. Currently, China has become the second largest market for orthopedic medical devices in the world. Owing to the aging population and improvement in government policies related to health insurance, the market size for orthopedic medical devices continues to grow rapidly in China. This agreement will facilitate the Group's entry into the area of knee treatment, expand the Group's offering of orthopedic treatment products, enhance the Group's product portfolio and generate sustainable revenue for the Group.

In addition, after streamlining its product pipeline in accordance with the new healthcare product review and registration policy in 2016, the Group has retained over 10 products in respect of which it is applying or will apply for registration with the China Food and Drug Administration ("**CFDA**"). During the Reporting Period, clinical trials have commenced for Mirtazapine (produced by Ehypharm of France, mainly used for the treatment of depressive episodes). The Group has submitted supplementary documents to the CFDA for the hernia repair patch (produced by Biocer of Germany, used for repairing various kind of hernia). The CFDA completed the preliminary review of the KINETIC Dynamic Anterior Cervical Plate System (produced by Lifespine of the United States, used for an anterior cervical spinal fixation), and supplementary documents are currently being prepared. The Group is also currently preparing application documents for Intacs® Corneal Implants (produced by AJL of Spain, used for reduction or elimination of myopia caused by keratoconus).

2 Marketing Network Development

With the introduction of new government policies relating to the pharmaceutical industry and constant change in the pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's development. The "Two-Invoice System" policy has been in force since 2017 in various provinces and the Group, as the sole importer of certain overseas medical products into China, is considered as the manufacturer of these imported medical products under the "Two-Invoice System". In addition, the Group has also refined its business system and consolidated product distribution channels to meet the requirements of "Two-Invoice System".

The Group's marketing and promotion model involves both in-house and third-party marketing teams. To maintain the efficiency and stability of the marketing network, the Group has established an in-house sales and product manager team for each product business unit, to manage and support their third party promotion partners. The Group's marketing and promotional activities are carried out by the in-house teams and third party promotion partners. The in-house teams are primarily responsible for developing marketing and promotion strategies, conducting pilot marketing programs, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, each product line continuously devoted itself to building a more "professional" and "efficient" in-house marketing team and third-party promotion partners to improve operational efficiency and market responsiveness. The Group's headquarters established overall marketing and promotion policies and allocated public resources 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 continues to develop its in-house marketing teams through internal reorganisations as well as recruitment of external talent, and continues to strengthen in-house marketing teams' involvement in marketing activities such as direct participation in academic promotions. The Group is also increasing its efforts in improving the quality of third-party promotion partners, including providing further training and support to improve their understanding of the Group's products, and assisting them in providing doctors with clinical solutions related to the Group's products. The Group continues to refine the process management and performance management system applicable to its marketing team, and improve the quality of the team based on its performance. It also continues to improve the allocation of the marketing teams to fill any gaps identified in the market and tap into the market potential of its products. In addition, the Group continuously improves communications and shares information and experience with its third-party promotion partners, to jointly cope with changes in government policies and in the market. During the Reporting Period, the organic development of the Group's marketing network led to significant improvement of its market coverage. For instance, the number of hospitals and medical institutions using Difene has increased by over 960 hospitals and medical institutions, and the number of hospitals using Fluxum has increased by over 290. As of 30 June 2017, the Group had sold products through its nationwide marketing, promotion and channel management service networks to approximately 30,000 hospitals and other medical institutions and over 108,000 pharmacies across all provinces, municipalities and autonomous regions in China.

3 Future and Outlook

Although the pharmaceutical industry is undergoing significant reform due to the frequent introduction of new government policies, there is greater clarity in policy direction and a rising standard of regulatory compliance in the industry. Looking forward, enterprises that can offer superior products and respond to market changes efficiently will seize more development opportunities. By focusing on its two core development strategies, being "Product" and "Marketing", and leveraging its competitive advantages, the Group will further enhance its product portfolio, improve its marketing and promotion strategy, pursue opportunities in the ever-changing environment of the Chinese pharmaceutical industry, and maximize returns for its shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue in the Reporting Period was RMB1,028.2 million, representing a 27.6% increase from RMB806.0 million for the six months ended 30 June 2016. Revenue generated from sales of pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB361.8 million, representing a 39.4% increase from RMB259.6 million for the six months ended 30 June 2016, primarily due to the Group's continual efforts to promote and expand the coverage of these products through its marketing network. Revenue generated from sales of medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB63.6 million, remaining flat compared to the six months ended 30 June 2016. Revenue generated from sales of products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB602.7 million, representing a 24.8% increase from RMB482.8 million for the six months ended 30 June 2016, primarily due to the sales of Alcon's ophthalmic pharmaceutical products which maintained a satisfactory growing trend, as well as the Group's continually intensifying efforts on co-promotion services for Alcon's products.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB701.4 million, representing a 26.4% increase from RMB554.7 million for the six months ended 30 June 2016, primarily due to an increase of sales. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB129.9 million, representing a 37.0% increase from RMB94.9 million for the six months ended 30 June 2016. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB30.3 million, representing a 0.9% increase from RMB30.0 million for the six months ended 30 June 2016. Cost of sales in products sold via the provision of co-promotion and channel management services in the Reporting Period was RMB541.2 million, representing a 25.9% increase from RMB429.9 million for the six months ended 30 June 2016.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB326.8 million, representing a 30.0% increase from RMB251.3 million for the six months ended 30 June 2016. The Group's average gross profit margin in the Reporting Period was 31.8%, representing an increase from 31.2% for the six months ended 30 June 2016. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 64.1%, representing an increase from 63.5% for the six months ended 30 June 2016, primarily due to an increase in the sales price of some products in certain regions. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 52.4%, representing a decrease from 52.8% for the six months ended 30 June 2016, primarily because a higher proportion of the Group's revenue were derived from the sales of medical devices products which generally generate lower gross profit margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services in the Reporting Period was 10.2%, representing a decrease from 11.0% for the six months ended 30 June 2016, primarily due to a decrease in the bid price of certain Alcon's ophthalmic pharmaceutical products.

Other income

The Group's other income in the Reporting Period was RMB30.7 million, representing a 79.7% increase from RMB17.1 million for the six months ended 30 June 2016, primarily due to an increase in the amount of government grants received by the Group.

Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB152.9 million, representing a 49.7% increase from RMB102.2 million for the six months ended 30 June 2016, 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 for expanding the market shares of certain products. Distribution and sale expenses in the Reporting Period were 14.9% of the revenue, representing an increase from 12.7% for the six months ended 30 June 2016.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB31.4 million, representing a 0.8% decrease from RMB31.7 million for the six months ended 30 June 2016, primarily due to a decrease in the administrative expenses related to the disposal of the Group's subsidiaries in the second half of year 2016. Administrative expenses in the Reporting Period were 3.1% of the revenue, representing a decrease from 3.9% for the six months ended 30 June 2016.

Finance costs

The Group's finance costs in the Reporting Period were RMB1.3 million, representing a 60.8% decrease from RMB3.2 million for the six months ended 30 June 2016, primarily due to a decrease in bank loans which resulted in lower interest expenses.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB14.4 million, representing a 13.2% decrease from RMB16.5 million for the six months ended 30 June 2016. The Group's effective income tax rate for the six months ended 30 June 2016 and the Reporting Period was 14.2% and 9.1%, 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 RMB4.5 million of PRC withholding tax pursuant to the declared payment of an interim dividend of RMB85.5 million for the six months ended 30 June 2017.

Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB142.7 million, representing a 42.7% increase from RMB100.0 million for the six months ended 30 June 2016. The Group's net profit margin in the Reporting Period was 13.9%, representing an increase from 12.4% for the six months ended 30 June 2016.

Liquidity and capital resources

In the past, the Group's working capital and other capital needs were mainly funded by net cash flow from its operations, with supplementary financing from banks. The Group's cash and cash equivalents as of 30 June 2017 were RMB326.8 million, increasing from RMB309.6 million as of 31 December 2016, primarily due to the increase of operating profit and enhancement of accounts receivable collection efforts.

Inventories

The Group's inventory balance as of 30 June 2017 was RMB517.8 million, representing a 0.5% decrease from RMB520.2 million as of 31 December 2016, primarily due to the higher efficiency of inventory turnover as a result of the Group's improved inventory management.

Trade and other receivables

The Group's trade and other receivables as of 30 June 2017 were RMB510.7 million, representing a 16.9% increase from RMB436.8 million as of 31 December 2016. The trade receivables turnover as of 30 June 2017 was 70.7 days, representing a slight increase from 69.8 days as of 31 December 2016, primarily due to the Group's continually intensifying efforts in collecting accounts receivable so as to achieve a higher efficiency of accounts receivable turnover when the Group's revenue increased significantly.

Trade and other payables

The Group's trade and other payables as of 30 June 2017 were RMB539.3 million, representing a 11.9% increase from RMB481.9 million as of 31 December 2016. The Group's trade payables turnover as of 30 June 2017 was 117.7 days, representing a decrease from 128.5 days as of 31 December 2016, primarily due to an increase in the proportion of products purchased with shorter payment term for the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB40.0 million as of 30 June 2017 as compared to RMB76.3 million as of 31 December 2016. On 30 June 2017, the effective interest rate of the Group's bank borrowing is 4.79%. As of 30 June 2017, bank borrowings of RMB40.0 million were secured by the pledge of the Group's trade receivables. As of 31 December 2016, bank borrowings of RMB36.2 million were secured by the pledge of the Group's trade receivables and bank deposits. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 2.3% as of 30 June 2017, as compared to 4.4% as of 31 December 2016.

Indebtedness

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

	Less than 1 year	**Between 1 and 2 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As of 30 June 2017			
Bank borrowings	**40,000**	**–**	**40,000**
Trade payables	**485,431**	**130**	**485,561**
As of 31 December 2016			
Bank borrowings	76,251	–	76,251
Trade payables	416,839	75	416,914

Significant investments

NovaBay Pharmaceuticals, Inc. ("**NovaBay**") is a biopharmaceutical company incorporated in Delaware, United States developing products for the eye care market, and currently focuses primarily on commercializing the prescription of Avenova® for managing hygiene of eyelids and lashes in the United States. Its shares are traded on the New York Stock Exchange. The Group commenced its business relationship with NovaBay in 2012 and obtained the exclusive rights to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year.

As of 30 June 2017, the Group held a total of 5,212,747 ordinary shares of NovaBay, representing approximately 34.1% of its equity interest, and does not hold any NovaBay warrants. NovaBay is now dedicated to commercializing prescription Avenova® for managing hygiene of the eyelids and lashes in the United States, and has achieved a significant improvement in sales performance. The investment allows the Group to enhance its business relationship with NovaBay, and the Group remains confident in NovaBay's future development.

EMPLOYEE AND REMUNERATION POLICY

As of 30 June 2017, the Group had a total of 340 employees. For the Reporting Period, staff costs of the Group were RMB28.3 million as compared to RMB23.1 million for the six months ended 30 June 2016. The Group's employee remuneration policy is determined by taking into account factors such as the remuneration level in the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and employees' performance. The Group conducts performance appraisals once every year for its employees, the results of which are taken into consideration in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the Reporting Period.

INTERIM DIVIDEND

The Board has declared an interim dividend of RMB6.4 cents per share for the six months ended 30 June 2017 payable on Monday, 30 October 2017 to the shareholders of the Company whose names appear on the register of members of the Company as of the close of business on Wednesday, 18 October 2017. 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 16 October 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Wednesday, 18 October 2017, 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 Tuesday, 17 October 2017.

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 2017. 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 2017.

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

For the six months ended 30 June 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") to recognise the contribution by certain employees including Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme has a term of 10 years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The 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 2017.

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 2017 has been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The interim report of the Company for the six months ended 30 June 2017 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, 23 August 2017

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