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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

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

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Pioneer Pharma Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 together with the comparative figures for the year ended 31 December 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Revenue	3	**1,540,398**	1,272,247
Cost of sales		**(1,048,449)**	(885,600)
Gross profit		**491,949**	386,647
Other income	4	**51,351**	49,434
Other gains and losses	5	**1,396**	10,811
Distribution and selling expenses		**(152,652)**	(101,760)
Listing expenses		**–**	(19,314)
Administrative expenses		**(57,784)**	(33,565)
Finance costs	6	**(14,137)**	(12,679)
Share of loss of associates		**(15,435)**	(7,088)
Profit before tax	7	**304,688**	272,486
Income tax expense	8	**(43,737)**	(36,732)
Profit for the year		**260,951**	235,754
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(11,373)**	75
– Fair value loss on other investments		**(27,154)**	(3,824)
Other comprehensive expense for the year		**(38,527)**	(3,749)
Total comprehensive income for the year		**222,424**	232,005
Profit (loss) for the year attributable to:			
Owners of the Company		**261,718**	238,372
Non-controlling interests		**(767)**	(2,618)
		260,951	235,754
Total comprehensive income (expense) attributable to:			
Owners of the Company		**225,723**	234,623
Non-controlling interests		**(3,299)**	(2,618)
		222,424	232,005
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	9	**0.20**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
Non-current Assets			
Property, plant and equipment		**103,737**	17,219
Prepaid lease payments		**2,271**	2,323
Goodwill		**42,265**	–
Intangible assets		**158,427**	15,221
Interest in associates		**35,188**	23,593
Other investments		**29,964**	53,359
Trust investments		**65,000**	–
Finance lease receivables		**90,826**	41,025
Loan to an associate		**12,238**	–
Deferred tax assets		**2,286**	2,142
Long term receivables	*11*	**1,400**	–
		543,602	154,882
Current Assets			
Inventories		**619,969**	419,844
Finance lease receivables		**18,604**	4,733
Trade and other receivables	*11*	**576,046**	331,028
Trust investments		**10,000**	–
Amount due from a related party		**7,370**	–
Tax recoverable		**–**	192
Prepaid lease payments		**52**	52
Structured note		**–**	19,829
Pledged bank deposits		**518,374**	304,282
Certificate of deposit		**–**	60,000
Bank balances and cash		**260,834**	702,073
		2,011,249	1,842,033

	Notes	**2014** **RMB'000**	2013 RMB'000
Current Liabilities			
Trade and other payables	*12*	**473,700**	360,742
Amounts due to related parties		**35,204**	10,603
Tax liabilities		**14,741**	424
Bank borrowings		**610,416**	429,545
Provision		**4,715**	4,222
Derivative financial instrument		**83,087**	–
Obligations under finance lease		**690**	–
		1,222,553	805,536
Net Current Assets		**788,696**	1,036,497
Total Assets less Current Liabilities		**1,332,298**	1,191,379
Capital and Reserves			
Share capital		**82,096**	82,096
Reserves		**1,045,264**	1,075,532
Equity attributable to owners of the Company		**1,127,360**	1,157,628
Non-controlling interests		**98,615**	(343)
Total Equity		**1,225,975**	1,157,285
Non-current liabilities			
Deferred tax liability		**43,274**	7,500
Amounts due to related parties		**–**	460
Long-term liabilities	*12*	**54,416**	26,134
Obligation under finance leases		**8,633**	–
		1,332,298	1,191,379

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

(a) Application of new and revised IFRSs

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

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

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

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual IFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 ***Financial Instruments***

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

Key requirements of IFRS 9 are described as follows:

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

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

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

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

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (op as) the entity satisfies a performance obligation

Under the IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

The Group's chief operating decision maker during the year ended 31 December 2013 and 2014 was, the Executive Directors of the Group, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance.

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

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

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

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

Segment revenues and results

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

For the year ended 31 December 2014

	Products sold via the provision of comprehensive marketing, promotion and channel management services	**Products sold via the provision of co-promotion and channel management services**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue	**673,353**	**867,045**	**1,540,398**
Cost of sales	**(306,057)**	**(742,392)**	**(1,048,449)**
Gross profit & segment result	**367,296**	**124,653**	**491,949**
Other income			**51,351**
Other gains and losses			**1,396**
Distribution and selling expenses			**(152,652)**
Administrative expenses			**(57,784)**
Finance costs			**(14,137)**
Share of loss of associates			**(15,435)**
Profit before tax			**304,688**

For the year ended 31 December 2013

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

Revenue from major products

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

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

Geographical information

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

Information about major customers

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

4. OTHER INCOME

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

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

5. OTHER GAINS AND LOSSES

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

Notes:

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

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

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

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

6. FINANCE COSTS

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

7. PROFIT BEFORE TAX

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

Notes:

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

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

8. INCOME TAX EXPENSE

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

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

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

Pioneer Singapore and Pioneer Medident (SE Asia) Pte. Ltd. ("**Pioneer Medident**") are subject to Singapore Profits Tax of a rate of 17%. No provision for Singapore Profits Tax was made for the year ended 31 December 2013 and 2014 as the amount involved is insignificant.

On 10 October 2013, a subsidiary, Pioneer Dynamic Co., Ltd., was incorporated in Taiwan and subject to corporate income tax of 17%. No provision for Taiwan income tax was made for the year ended 31 December 2013 and 2014 as it is loss-making and had no assessable profits since its incorporation.

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

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

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

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

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

9. EARNINGS PER SHARE

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

	2014	2013
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB261,718,000**	RMB238,372,000
Numbers of shares:		
Number of ordinary shares (2013: weighted average number of ordinary shares) for the purpose of calculating basic earnings per share	**1,333,334,000**	1,047,454,000

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

In addition, the computation of diluted earnings per share in 2013 does not assume the exercise of the Company's over-allotment options granted pursuant to the listing of the Company in the Stock Exchange in global offering as the exercise price of the options was higher than the average market price for the Shares. For 2014, no dilutive instruments outstandings during the year ended 31 December 2014 and the denominators used are the same as those detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

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

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

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

11. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES

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

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

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 the year ended date, which approximated the respective revenue recognition dates:

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

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

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

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB81,673,000 (2013: RMB34,563,000), which are past due as at 31 December 2014. However, the directors of the Company have considered the credit quality of the relevant customers and concluded that the Group is not required to provide for impairment loss for these balances. The Group does not hold any collateral over these balances.

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

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

Movement in the allowance for doubtful debts:

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

12. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

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

Notes:

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

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

3) The amount represents the accounts for the cost of medical devices which are sold under the Contracts and is not payable within one year.

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

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

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

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

1. Product Development

The Group's current product portfolio includes a number of products manufactured by small and medium-sized overseas suppliers. These products address unmet medical needs or have superior clinical profiles, improved quality or formulations, or relatively limited competition in the Chinese market. As of 31 December 2014, the Group had a product portfolio of pharmaceutical products (substantially all of which are prescription products), covering ophthalmology, pain management, cardiovascular, respiratory, gastroenterology, immunology and other therapeutic areas, and medical devices covering several medical specialties, including ophthalmology, odontology, wound care and etc.

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

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

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

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

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

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

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

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

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

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

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

The Group adopted a multi-strategy sales model for WaveLight Eagle laser surgical series for different regions, resulting in strong growth in sales of this product for the Reporting Period. In general, the Group's sales model for ophthalmological medical devices includes four categories: 1) direct selling; 2) consumable purchase cooperation arrangements; 3) revenue sharing co-operation arrangements; and 4) profit sharing co-operation arrangements. Under 1) direct selling, by entering into sales agreement with a client, the Group sells the equipment to the client directly. Under 2) consumable purchase co-operation arrangements, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client shall purchase consumables of the device from the Group for an amount not lower than the minimum annual purchase amount of consumables pursuant to the agreement. Upon expiry of the agreement term, the ownership of the device will be transferred to the client without additional charges. Under 3) revenue sharing co-operation arrangements, by entering into a co-operation agreement with a client, the Group does not transfer the ownership of the equipment to the client. In return, the client is required to pay the Group a certain proportion of the revenue generated from the use of the equipment, subject to a minimum amount pursuant to the agreement. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges. Under 4) profit sharing co-operation arrangements, by entering into a co-operation agreement with a client, a project group using the medical device will be established. Within the agreed term, the monthly profit generated from the project, which shall be surgery income net of project expenses such as salary of the project group members, travel expenses, facility maintenance fees, consumable purchase costs and daily expenses, will be shared by the Group and the client on a pro-rata basis. Upon expiry of the co-operation term, the ownership of the device will be transferred to the client without additional charges.

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

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

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

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

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

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

1.3 *Product Pipeline*

The Group actively seeks prospective product candidates for marketing, promotion and sale from overseas pharmaceutical and medical device companies. The Group's product pipeline would sustain the Group's growth in the long term. When selecting prospective product candidates, the Group considers factors such as clinical features, competitive environment, registration and regulatory regime and reputation of suppliers.

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

NeutroPhase is manufactured by NovaBay Pharmaceuticals, Inc. ("**NovaBay**"). It is a skin and wound cleanser consisting of 0.01% pure hypochlorous acid in physiological saline solution. NeutroPhase is intended to be used to moisturise absorbable surgical dressing, wash and clean small wounds, minor burns as well as acute and chronic skin lesions, such as diabetic foot ulcers and post-operative wounds. The approval was obtained for the launch of NeutroPhase in China from the CFDA in September 2014. NeutroPhase was approved by the CFDA as a medical device and its registration certificate has a term of five years. The Group has implemented sales and marketing plans for NeutroPhase, and NeutroPhase shall be one of the Group's important products.

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

STARflo glaucoma implant is produced by iSTAR Medical of Belgium. It is a non-degradable, precision-pore implant made from Healionics' proprietary silicone STAR Biomaterial technology. The product is designed to operate as a bleb-free, micro-porous drainage system to reduce intraocular pressure of the patients suffering from open angle glaucoma by augmenting the eye's natural uveoscleral outflow. The Group is now preparing for the registration application to the CFDA for STARflo and expects to submit the application in 2015.

Mirtazapine is produced by Ehypharm of France. It is mainly used for the treatment of depressive episodes. It can dissolve in mouth and be absorbed quickly without drinking water, suitable for patients suffering from psychosis, dementia or epilepsy or the elderly or children. The Group submitted the registration application to the CFDA for Mirtazapine in January 2011 and expects to obtain clinical trial approval in 2015.

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

Topiramate is produced by Pharmascience Inc. of Canada. It is a new antiepileptic drug whereby monosaccharide is substituted by sulfamate. It is commonly used in monotheropy for patients who are newly diagnosed with epilepsy or who have undergone concomitant medications. The product is also used in combination with other drugs for the management of patients with epilepsy who are not satisfactorily controlled by conventional therapy. The Group submitted the registration application to the CFDA for Topiramate in October 2012 and expects to obtain clinical trial approval in 2016.

2. Marketing Network Development

In addition to the expansion of product portfolio, the Group's development strategy focuses on continuously expanding the Group's marketing network. The Group's marketing and promotion model comprises of in-house marketing team and a team of third-party promotion partners. To maintain the efficiency and stability of marketing network, the Group has established sales and product manager teams to manage and support third-party promotion partners. The Group's marketing and promotional activities are carried out by in-house team and third party promotion partners. The in-house team is primarily responsible for formulating the marketing and promotion strategies, conducting selected marketing programmes, and appointing, training and supervising the third-party promotion partners, who are responsible for most of the day-to-day marketing and promotional activities for the Group's products. The Group's marketing and promotion model leverages on the broad experience and geographic reach of the third party promotion partners and enables the Group to market and promote a diverse range of healthcare products across different regions in China. This model also allows the Group to extend geographic coverage, maintain operational flexibility and reduce fixed and overall marketing and promotion costs.

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

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

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

3. Significant Investment

Investment in Covex

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

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

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

Investment in NovaBay

NovaBay is a clinical-stage biotechnology company incorporated in Delaware, United States. Its shares are traded on the NYSE MKT. The Group commenced its business relationship with NovaBay in 2012 and obtained the exclusive right to market, promote and sell NovaBay's NeutroPhase products in China and certain Southeast Asia markets in the same year. As of 31 December 2014, the Group held 7,613,812 NovaBay Shares in total, representing approximately 14.7% equity interest in NovaBay calculated based on the total number of NovaBay's outstanding shares of 51,650,015 as of 31 December 2014.

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

Investment in Q3

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

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

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

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

FUTURE AND OUTLOOK

The year 2014 was the first full fiscal year for the Group since its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Under numerous external pressures of complicated and changeable pharmaceutical policies and market environment, the Group still achieved sound development by adhering to the faith of "Vision, Action and Perseverance". The Group will continue to strengthen its position as a leading marketing, promotion and channel management service provider dedicated to imported pharmaceutical products and medical devices in China. The Group will also pursue a sustainable growth plan by focusing on two core development strategies, namely the further development and optimisation of product portfolio, and expansion and improvement of the Group's sales and marketing network.

The Group will adhere to a strategic product selection strategy to proactively identify products with high growth potential. The Group will further expand its product portfolio or industrial chain through equity acquisition or strategic investments in addition to entering into long term agreements when granted marketing and promotion rights for products.

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

FINANCIAL REVIEW

Revenue

Revenue increased by 21.1% from RMB1,272.2 million in 2013 to RMB1,540.4 million in 2014. Revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services increased by 38.5% from RMB486.0 million in 2013 to RMB673.4 million in 2014, primarily due to (i) increased sales of certain of existing key products, including Fluxum, Polimod, Macmiror Complex and Macmiror, as a result of the expansion of coverage of these products through the marketing network; (ii) increased sales of products with vast market potential, including Neoton and Easyhaler, as a result of increased promotion efforts; (iii) increased sales of medical devices; and (iv) the overall growth of market demand for products. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 10.3% from RMB786.2 million in 2013 to RMB867.0 million in 2014, primarily due to increased promotion efforts for the eight Alcon products for which the Group provided co-promotion services as well as the increasing market demand for Alcon products.

Cost of sales

Cost of sales increased by 18.4% from RMB885.6 million in 2013 to RMB1,048.4 million in 2014, primarily due to a substantial increase in sales volume. Cost of sales for products sold via the provision of comprehensive marketing, promotion and channel management services increased by 44.8% from RMB211.4 million in 2013 to RMB306.1 million in 2014. Cost of sales for products sold via the provision of co-promotion and channel management service increased by 10.1% from RMB674.2 million in 2013 to RMB742.4 million in 2014.

Gross profit and gross profit margin

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

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

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

Other income

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

Distribution and selling expenses

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

Administrative Expenses

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

Finance costs

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

Income tax expense

Income tax expense increased by 19.1% from RMB36.7 million in 2013 to RMB43.7 million in 2014. The Group's effective income tax rate in 2014 and 2013 was 14.4% and 13.5%, respectively. Since the beginning of 2012, the Group has been conducting business primarily through Naqu Pioneer, which was subject to a reduced EIT rate of 9%. Income tax expense in 2014 included the recognition of RMB12.0 million of PRC withholding tax pursuant to the payment of an interim dividend of RMB113.5 million and proposed payment of a final dividend of RMB114.0 million.

Profit for the year

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

Liquidity and Capital Resources

Cash Position

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

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

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

Net cash from (used in) operating activities

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

Net cash from (used in) investing activities

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

Net cash from (used in) financing activities

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

Bank borrowings and gearing ratio

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

Net Current Assets

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

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

Inventories

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

Trade and Other Receivables

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

Trade and Other Payables

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

Capital Expenditure

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

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

Indebtedness

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

	Less than 1 year	Between 1 and 2 years	Total
	RMB'000	***RMB'000***	***RMB'000***
As of 31 December 2014			
Bank borrowings	610,416	–	610,416
Trade payables	391,730	21	391,751
As of 31 December 2013			
Bank borrowings	429,545	–	429,545
Trade payables	318,618	–	318,618

Contingent Liabilities

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

Market Risks

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

SUBSEQUENT EVENTS

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

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

Dividend

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

EMPLOYEE AND REMUNERATION POLICY

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

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

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute during the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 8 May 2015 (Friday). A notice convening the annual general meeting will be published and despatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

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

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

USE OF PROCEEDS FROM SHARE OFFER

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

CORPORATE GOVERNANCE

For the year ended 31 December 2014, the Company has adopted, applied and complied with the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules except for the deviations from the CG Code provisions disclosed below:

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

AUDIT COMMITTEE

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

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

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2014. The Company will submit a resolution in the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiries of all the Directors and each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code for the year ended 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/), and the 2014 Annual Report containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2015

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