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 2015

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 5.2% to RMB1,460.9 million in 2015 from RMB1,540.4 million in 2014.
- Net profit of the Group decreased by 33.9% to RMB172.5 million in 2015 from RMB261.0 million in 2014.
- Excluding (i) an impairment loss of RMB41.3 million on investment in associates; (ii) an impairment loss on goodwill of RMB14.7 million; and (iii) the Group's share of loss of associates of RMB28.9 million (all of which amounted to RMB84.9 million), the adjusted net profit of the Group amounted to RMB257.4 million in 2015.
- Basic earnings per share was RMB0.13 in 2015.
- A final dividend of RMB3.6 cents per share was recommended by the Board (bringing the total dividend for the year ended 31 December 2015 to RMB9.3 cents per share) and is subject to the approval of the Shareholders at the Annual General Meeting to be held on 20 May 2016.

RESULT

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 2015 together with the comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Revenue	*3*	**1,460,899**	1,540,398
Cost of sales		**(998,322)**	(1,048,449)
Gross profit		**462,577**	491,949
Other income	*4*	**77,877**	51,351
Other gains and losses	*5*	**(82,687)**	1,396
Distribution and selling expenses		**(135,378)**	(152,652)
Administrative expenses		**(66,745)**	(57,784)
Finance costs	*6*	**(19,954)**	(14,137)
Share of loss of associates		**(28,895)**	(15,435)
Profit before taxation	*7*	**206,795**	304,688
Income tax expense	*8*	**(34,294)**	(43,737)
Profit for the year		**172,501**	260,951
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(18,148)**	(11,373)
– Exchange differences on translation of interest in associates		**608**	–
– Fair value gain (loss) on other investments		**15,711**	(27,154)
Other comprehensive expense for the year		**(1,829)**	(38,527)
Total comprehensive income for the year		**170,672**	222,424
Profit (loss) for the year attributable to:			
Owners of the Company		**174,302**	261,718
Non-controlling interests		**(1,801)**	(767)
		172,501	260,951
Total comprehensive income (expense) attributable to:			
Owners of the Company		**172,953**	225,723
Non-controlling interests		**(2,281)**	(3,299)
		170,672	222,424
		RMB yuan	*RMB yuan*
Earnings per share			
Basic and diluted	*9*	**0.13**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	**2015** ***RMB'000***	2014 *RMB'000*
Non-current Assets			
Property, plant and equipment		**76,497**	103,737
Prepaid lease payments		**2,219**	2,271
Goodwill	*11*	**–**	42,265
Intangible assets		**61,207**	158,427
Interest in associates	*12*	**47,070**	35,188
Other investments		**20,000**	29,964
Trust investments		**–**	65,000
Finance lease receivables		**59,446**	90,826
Loans to associates		**15,963**	12,238
Deferred tax assets		**2,132**	2,286
Long term receivables	*13*	**–**	1,400
		284,534	543,602
Current Assets			
Inventories		**663,249**	619,969
Finance lease receivables		**21,720**	18,604
Trade and other receivables	*13*	**420,366**	576,046
Trust investments		**–**	10,000
Amount due from related parties		**1,296**	7,370
Tax recoverable		**475**	–
Prepaid lease payments		**52**	52
Derivative financial instrument		**251**	–
Pledged bank deposits		**112,968**	518,374
Bank balances and cash		**317,113**	260,834
		1,537,490	2,011,249

	Notes	2015 *RMB'000*	2014 *RMB'000*
Current Liabilities			
Trade and other payables	*14*	**471,690**	473,700
Amounts due to related parties		**–**	35,204
Tax liabilities		**14,778**	14,741
Bank borrowings		**285,935**	610,416
Provision		**1,870**	4,715
Derivative financial instrument		**–**	83,087
Obligations under finance lease		**1,943**	690
		776,216	1,222,553
Net Current Assets		**761,274**	788,696
Total Assets less Current Liabilities		**1,045,808**	1,332,298
Capital and Reserves			
Share capital		**82,096**	82,096
Reserves		**915,994**	1,045,264
Equity attributable to owners of the Company		**998,090**	1,127,360
Non-controlling interests		**(1,649)**	98,615
Total Equity		**996,441**	1,225,975
Non-current liabilities			
Deferred tax liabilities		**13,406**	43,274
Long-term liabilities	*14*	**20,074**	54,416
Liabilities for Share Award Scheme		**557**	–
Obligation under finance leases		**15,330**	8,633
		1,045,808	1,332,298

1. GENERAL

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") AND CHANGES OF ACCOUNTING POLICY

(a) Application of amendments to IFRSs

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

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

The application of the amendments to 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.

(b) New and amendments to IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[3]
IFRS 15	Revenue from Contracts with Customers[3]
IFRS 16	Leases[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 7	Statement of Cash Flows[2]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2017
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

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 in 2013 to include the new requirements for general 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 required to be 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value 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 attributable to a financial liability's 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 is 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 mechanisms currently available in IAS 39. Under IFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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 and disclosures made in the Group's consolidated financial statements. However, 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*

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 the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under the IFRS 15, an entity recognises 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 Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 *Leases*

IFRS 16, which upon the effective date will supersede IAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors of the Company will assess the impact of the application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

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

The amendments to IAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 *Intangible Assets* 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 of the Company 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.

(c) Changes of accounting policy

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

Consequently, the Group changed its accounting policy on inventories to apply the weighted average method under IAS 2 Inventories retrospectively with effect from 1 January 2015. The effects of changes in accounting policy described above would have been decreased the carrying amount of inventories at 31 December 2014 by approximately RMB2,682,000 and decreased the costs of sales for the year ended 31 December 2014 by approximately RMB699,000. Since the directors of the Company considered the effects of changes in accounting policy does not result in any material impact on the profit or loss for the year ended 31 December 2014 and carrying amount of inventories at 31 December 2014, comparative amounts were not restated.

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:

	2015	2014
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**1,328,093**	1,343,147
Sales of medical devices	**132,806**	197,251
	1,460,899	1,540,398

The Group's chief operating decision maker during the years ended 31 December 2014 and 2015 was the executive directors of the Group, who reviews the gross profit of major type of products sold for the purposes of resource allocation and assessment of segment performance. Segment profit represents the gross profit earned by each segment.

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

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

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

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

Segment revenues and results

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

For the year ended 31 December 2015

	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	**597,278**	**863,621**	**1,460,899**
Cost of sales	**(241,820)**	**(756,502)**	**(998,322)**
Gross profit and segment result	**355,458**	**107,119**	**462,577**
Other income			**77,877**
Other gains and losses			**(82,687)**
Distribution and selling expenses			**(135,378)**
Administrative expenses			**(66,745)**
Finance costs			**(19,954)**
Share of loss of associates			**(28,895)**
Profit before taxation			**206,795**

For the year ended 31 December 2014

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	Products sold via the provision of co-promotion and channel management services *RMB'000*	Consolidated *RMB'000*
Segment revenue	673,353	867,045	1,540,398
Cost of sales	(306,057)	(742,392)	(1,048,449)
Gross profit and 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 taxation			304,688

Revenue from major products

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

	2015	2014
	RMB'000	*RMB'000*
Alcon	**863,621**	867,045
Difene	**112,298**	114,327
Fluxum	**122,894**	128,377
Polimod	**73,555**	75,896
Macmiror complex and Macmiror	**37,865**	35,719
Vinpocetine API	**48,554**	63,779
Neoton	**45,265**	17,216
Budesonide Easyhaler and Salbutamol Easyhaler	**4,066**	11,908
FLEET Phospho-Soda	**14,947**	20,036
Medical equipments and supplies	**132,806**	197,251
Others	**5,028**	8,844
	1,460,899	1,540,398

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). Over 72% (2014: 80%) of non-current assets excluding interest in associates and other investments of the Group are located in the PRC. Over 98% (2014: 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

	2015	2014
	RMB'000	*RMB'000*
Government grants *(Note)*	**31,667**	9,447
Interest on bank deposits	**25,008**	25,689
Interest on trust investments	**4,675**	5,125
Interest on loans to associates	**262**	1,075
Interest income on finance leases	**11,015**	5,243
Service income	**3,095**	3,247
Others	**2,155**	1,525
	77,877	51,351

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

	2015	2014
	RMB'000	*RMB'000*
Net foreign exchange losses	**(21,672)**	(3,336)
Reversal of impairment loss previously recognised on trade and other receivables	**44**	42
Impairment loss on trade and other receivables	**(5,277)**	(1,326)
Gain on disposal of subsidiaries	**–**	2,426
Gain on dilution on interest in associates	**7,975**	–
Impairment loss on finance lease receivables	**(6,871)**	–
Loss on fair value change of derivative financial instruments	**(4,837)**	–
Gain on fair value changes of structured notes	**–**	171
Gain on initial recognition of other investments and warrants *(Note a)*	**3,910**	–
Write off of trade and other payables *(Note b)*	**–**	3,419
Impairment loss on goodwill	**(14,696)**	–
Impairment loss on investment in an associate	**(41,263)**	–
	(82,687)	1,396

Notes:

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

(b) 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 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

	2015	2014
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**19,954**	14,137

7. PROFIT BEFORE TAXATION

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration	**3,953**	3,444
Other staff's retirement benefits scheme contributions	**8,739**	9,038
Other staff costs	**39,107**	40,017
Total staff costs	**51,799**	52,499
Auditors' remuneration	**2,878**	2,931
Reversal of allowance for inventories, net	**(679)**	–
Release of prepaid lease payments	**52**	52
Depreciation for property, plant and equipment	**7,001**	4,337
Amortisation of intangible assets	**9,880**	3,264
Cost of inventories recognised as an expense	**988,322**	1,048,449
Minimum lease payment under operating lease in respect of premises	**1,454**	1,156

8. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**28,572**	31,069
PRC withholding tax on dividends distributed by subsidiaries	**10,000**	14,000
	38,572	45,069
Under provision in prior year		
EIT	**–**	846
Deferred tax		
Current year	**(4,278)**	(2,178)
	34,294	43,737

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

Pioneer Medical (HK) Company Limited and Pioneer Pharma (Hong Kong) Company Limited 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 2014 and 2015 is made as they are loss-making have had no assessable profits since their incorporation.

Pioneer Pharma (Singapore) Pte. Ltd. ("**Pioneer Singapore**") and Pioneer Medident (SE Asia) Pte. Ltd. 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 2014 and 2015 as the amount involved is insignificant.

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 2014 and 2015 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 2011 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 Area Pioneer Pharma Co., Ltd, 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 2015 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 taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before taxation	**206,795**	304,688
Tax at the applicable income tax rate of 25%	**51,699**	76,172
Tax effect of expenses not deductible for tax purpose	**19,645**	4,524
Tax effect of income not taxable for tax purpose	**(2)**	(935)
Tax effect of tax losses not recognised	**4,104**	1,384
Tax effect of tax losses not recognised but subsequently used	**(31)**	(280)
Income tax on concessionary tax rate and tax exemption	**(47,621)**	(50,474)
Under provision in prior year	**–**	846
PRC withholding tax on dividends distributed by subsidiaries	**10,000**	14,000
Utilisation of deferred tax liabilities arising on undistributed profit of PRC subsidiaries	**(3,500)**	(1,500)
	34,294	43,737

9. EARNINGS PER SHARE

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

	2015	2014
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB174,302,000**	RMB261,718,000
Numbers of shares:		
Weighted average number of ordinary shares (2014: number of ordinary shares) for the purpose of calculating basic earning per share	**1,312,598,408**	1,333,334,000

For the year ended 31 December 2015, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2015 has been taken into account the ordinary shares purchased by the trustee on the market pursuant to the Share Award Scheme.

For the year ended 31 December 2015 and 2014, the diluted earnings per share is the same as basic earnings per share as there is no dilutive potential ordinary shares outstanding in both years.

10. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2015 Interim – RMB5.7 cents per share (2014: RMB8.5 cents per share)	**75,274**	113,491
2014 Final – RMB8.5 cents per share (2013: RMB10.7 cents per share)	**112,507**	142,500
	187,781	255,991

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB3.6 cents (2014: RMB8.5 cents) per share, amounting to RMB 47,500,000 (2014: RMB112,507,000) in aggregate, has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company ("**Shareholders**") in the forthcoming annual general meeting.

11. GOODWILL AND IMPAIRMENT TEST ON GOODWILL

	2015	2014
	RMB'000	*RMB'000*
At 1 January 2015	**42,265**	–
Arising on acquisition of subsidiaries	**–**	44,112
Arising from disposal of a subsidiary	**(27,569)**	–
Exchange adjustments	**–**	(1,847)
Impairment loss for the year	**(14,696)**	–
At 31 December 2015	**–**	42,265

Impairment testing on goodwill

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

	2015	2014
	RMB'000	*RMB'000*
Covex Group	**14,696**	14,696
Shenyang Zhiying Pharmaceutical Co., Ltd. ("**Shenyang Zhiying**")	**–**	27,569
Impairment loss for the year	**(14,696)**	–
	–	42,265

During the years ended 31 December 2015, management of the Group determines that there is an impairment of RMB14,696,000 (2014: nil) of the above-mentioned cash-generating units containing the goodwill.

The recoverable amounts of Covex Group has been determined on the basis of value in use calculations. The value in use calculation use cash flow projections based on financial budgets approved by management covering a 5-year period. The rate used to discount the projected cash flow of Covex Group is 14.53% per annum (2014: 15.64% per annum). Cash flow beyond the 5-year period is extrapolated based on past trends of pricing cycle of the Group's pharmaceutical products. Other key assumptions for value in use calculation include gross budgeted sales and gross margin, which are determined based on the units' past performance and management's expectations for the market development.

An impairment loss of RMB14,696,000 arose in the Covex Group during the course of the 2015 year, resulting in the carrying amount of the cash-generating unit being written down to its recoverable amount. The impairment loss represents the difference between the recoverable amount and carrying amount of Covex Group. The recoverable amount of the Covex Group is determined based on the value in use calculation as mentioned above.

12 INTEREST IN ASSOCIATES

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

	2015	2014
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	**131,168**	57,711
Share of post-acquisition losses and other comprehensive income	**(50,810)**	(22,523)
Gain on dilution	**7,975**	–
Impairment loss on investment in an associate	**(41,263)**	–
	47,070	35,188

Name of associates	Form of entity	Classes of shares held	Principal activity	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group	
					2015	2014
Q3 Medical Devices Limited ("**Q3**") *(Note a)*	Incorporated	Ordinary shares	Manufacturing and trading of medical devices	Ireland/Germany	**36.57%**	32.99%
YingSheng 3D Medical Imaging Centre ("**YingSheng**")	Incorporated	Ordinary shares	Stomatological computed tomography services	PRC	**35%**	35%
NovaBay Pharmaceuticals, Inc. ("**NovaBay**") *(Note b)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	Untied States	**11.71%**	N/A

Notes:

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

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

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

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

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

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

During the year, NovaBay issued shares to various other investors. The Group's interest in NovaBay was diluted to 13.9% in May 2015 and 11.71% in December 2015. A deemed gain on dilution of approximately RMB4,144,000 and a deemed loss on dilution of approximately RMB2,644,000 was recognised, respectively.

Indicated by negative financial performance of Q3 and decline quoted market price of NovaBay in the year ended 31 December 2015, the Group takes into consideration to perform annual impairment assessment for their carrying amounts in accordance with IAS 36 Impairment of Assets as single assets.

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

In assessing the value in use of Q3 and NovaBay as at 31 December 2015, it has been determined based on the Company's share of the present value of the estimated future cash flows expected to be generated by Q3 and NovaBay. The value in use calculations use cash flow projections for the Q3 and NovaBay based on financial budgets approved by management covering a 5-year period. They are based on a discount rate of 15.39% and 15.40%, respectively. Other key assumptions for the value in use calculations relate to the estimation of cash inflow/outflows which include budgeted revenue and gross margins during the budget period. Budgeted revenue and gross margins have been determined based on past performance and management's expectations for the market development.

The recoverable amount of the investment in Q3 and NovaBay as at 31 December 2015 have been determined based on the value in use calculations which was less than the corresponding carrying values. Hence, the Company recognised an impairment loss of approximately RMB41,263,000 (2014: nil) for the year ended 31 December 2015 in relation to the interest in associates.

As the recoverable amount of Q3 is greater than the corresponding carrying amount, nil impairment loss is recognised for the year ended 31 December 2015. Management believes that any reasonably possible changes in any of these assumptions would not cause the aggregate carrying amounts of Q3 to exceed the aggregate recoverable amount of Q3.

13. TRADE AND OTHER RECEIVABLES AND LONG TERM RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
Trade receivables	**314,644**	400,975
Less: Allowance for doubtful debts	**(6,640)**	(1,700)
	308,004	399,275
Bill receivables	**83,895**	121,170
	391,899	520,445
Other receivables, prepayments and deposits	**20,716**	6,884
Less: Allowance for doubtful debts	**(129)**	(53)
	412,486	527,276
Interest receivables	**3,249**	13,691
Advance payment to suppliers	**3,276**	2,569
Other tax recoverable	**1,355**	1,711
Other receivables *(Note)*	**–**	32,199
Total trade and other receivables	**420,366**	577,446
Classified as:		
– Non Current		
Trade receivables	**–**	1,400
	–	1,400
– Current		
Trade receivables	**308,004**	399,275
Bill receivables	**83,895**	121,170
Other receivables, prepayments and deposits	**28,467**	55,601
	420,366	576,046
	420,366	577,446

Note: Amount represented prepayment made by Shenyang Zhiying 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 disposed through disposal of Shenyang Zhiying.

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

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

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
0 to 60 days	**197,365**	287,524
61 days to 180 days	**77,349**	59,253
181 days to 1 year	**21,514**	40,248
1 year to 2 years	**11,776**	12,250
	308,004	399,275

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

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
0 to 60 days	**42,339**	90,712
61 days to 180 days	**34,172**	29,595
181 days to 1 year	**7,284**	363
1 year to 2 years	**100**	500
	83,895	121,170

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 RMB70,593,000 (2014: RMB81,673,000), which are past due as at 31 December 2015. Based on the historical experience of the Group, those trade receivables that are past due but not impaired are generally recoverable due to long term cooperation history. The Group does not hold any collateral over these balances.

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

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
61 days to 180 days	**49,605**	45,719
181 days to 1 year	**11,358**	28,836
1 year to 2 years	**9,630**	7,118
	70,593	81,673

Movement in the allowance for doubtful debts:

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
Balance at beginning of the year	**1,753**	469
Impairment losses recognised on receivables	**5,277**	1,326
Amounts written off during the year as uncollectible	**(217)**	–
Impairment losses reversed	**(44)**	(42)
Balance at end of the year	**6,769**	1,753

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB6,769,000 (31 December 2014: RMB1,753,000) which have delayed payments with poor settlement record.

14. TRADE AND OTHER PAYABLES AND LONG TERM LIABILITIES

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
Trade payables	**426,078**	391,751
Payroll and welfare payables	**6,424**	10,221
Advance from customers	**4,045**	5,072
Other tax payables	**1,457**	13,458
Marketing service fee payables	**4,404**	12,002
Interest payables	**1,726**	2,619
Deposits received from distributors	**7,094**	5,839
Amount due to a former related party *(Note a)*	**–**	4,800
Amount due to a former non-controlling shareholder *(Note a)*	**–**	12,500
Accrued purchase	**20,074**	54,416
Other payables and accrued charges	**20,462**	15,438
	491,764	528,116
Less: Amounts due after one year shown under long-term liabilities *(Note b)*	**(20,074)**	(54,416)
	471,690	473,700

Notes:

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

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

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

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

	2015	2014
	RMB'000	*RMB'000*
THE GROUP		
0 to 90 days	**425,561**	389,438
91 days to 180 days	**–**	2,206
181 days to 365 days	**416**	86
Over 365 days	**101**	21
	426,078	391,751

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

As a crucial year of comprehensively health care reform, 2015 witnessed the announcement of several government policies which have significant and far-reaching impact on China's pharmaceutical industry. The Group has made tremendous efforts to minimize the extent of such impact on the Group. However, the emergence of several events outside our control inevitably affected the Group's operating performance. For the year ended 31 December 2015 (the "**Reporting Period**"), the Group's revenue decreased by 5.2% year-on-year to RMB1,460.9 million (2014: RMB1,540.4 million), gross profit decreased by 6.0% year-on-year to RMB462.6 million (2014: RMB491.9 million) and net profit for the year decreased by 33.9% year-on-year to RMB172.5 million (2014: RMB261.0 million). Excluding (i) an impairment loss of RMB41.3 million on investment in associates; (ii) an impairment loss on goodwill of RMB14.7 million; and (iii) the Group's share of loss of associates of RMB28.9 million (all of which amounted to RMB84.9 million), the adjusted net profit of the Group amounted to RMB257.4 million in 2015.

During the Reporting Period, the Group adopted measures to manage pricing policy changes for pharmaceutical products in China and also increased its promotion efforts for its products and continued to improve and refine the marketing strategy for each product. However, as the medical insurance is facing increasing cost control pressures, the overall sales growth rate of pharmaceutical products in hospitals in China experienced significant slow down in 2015 and each province accelerated its drug tender process with lower tender prices, which has had an impact on the Group's performance in pharmaceutical products segment. For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 2.4% compared to last year to RMB464.5 million, representing 31.8% of the Group's revenue for the Reporting Period. Gross profit decreased by 5.0% compared to last year to RMB283.0 million, representing 61.2% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group's sales of WaveLight Eagle laser surgical series were adversely affected by a suspension of tender process on large scale equipment in public hospitals, which also adversely impacted the Group's overall sales in the medical devices segment. For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 32.7% compared to last year to RMB132.8 million, representing 9.1% of the Group's revenue for the Reporting Period. Gross profit increased by 4.2% compared to last year to RMB72.4 million, representing 15.6% of the Group's gross profit for the Reporting Period.

During the Reporting Period, the Group continued to maintain its close cooperation with Alcon, the world's largest eye care products company, via the provision of co-promotion and channel management services. The Group provides channel management services for all of Alcon's 23 pharmaceutical products sold in China and provides co-promotion services for eight of these products. For the Reporting Period, the Group's revenue generated from products sold via the provision of co-promotion and channel management services decreased

by 0.4% compared to last year to RMB863.6 million, representing 59.1% of the Group's revenue for the Reporting Period. Gross profit decreased by 14.1% compared to last year to RMB107.1 million, representing 23.2% of the Group's gross profit for the Reporting Period.

1. Product Development

The Group's current product portfolio includes a number of products manufactured by small and medium-sized overseas suppliers. These products address unmet medical needs or have superior clinical profiles, improved quality or formulations, or relatively limited competition in the Chinese market. As of 31 December 2015, the Group had a product portfolio of pharmaceutical products (substantially all of which were prescription products) covering ophthalmology, pain management, cardiovascular, respiratory, gastroenterology, immunology and other therapeutic areas, and medical devices covering several medical specialties, including ophthalmology, odontology and wound care products.

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

Category	**2015**	**Percentage of the Group's total Revenue/ Gross Profit**	2014	Percentage of the Group's total Revenue/ Gross Profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
Revenue:				
Pharmaceutical Products	**464,472**	**31.8**	476,102	30.9
Medical Devices	**132,806**	**9.1**	197,251	12.8
Gross Profit:				
Pharmaceutical Products	**283,028**	**61.2**	297,791	60.5
Medical Devices	**72,430**	**15.6**	69,505	14.2

For the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 2.4% compared to last year to RMB464.5 million, representing 31.8% of the Group's revenue for the Reporting Period. Gross profit decreased by 5.0% compared to last year to RMB283.0 million, representing 61.2% of the Group's gross profit for the Reporting Period.

Sales of the Group's more mature products, such as Difene and Fluxum, maintained stable development during the Reporting Period. As one of the Group's best selling products, Difene has established a strong reputation and brand recognition in China after years of market positioning, brand building and expansion of marketing network. During the Reporting Period, although Difene's growth rate slowed down due to the changes in procurement policy in certain medical institutions which contributed to high sales volumes for Difene previously, the Group increased its efforts to expand market coverage including further enhanced management of third-party promotion partners, accelerated its network penetration into more

hospitals and small-sized medical institutions, and closed certain gaps identified in the marketing area. During the Reporting Period, Difene increased its market coverage by over 750 hospitals and small-sized medical institutions. Moreover, Difene successively won bids with favourable pricing in those provinces where the local tender procedure has been completed. The Group believes Difene still has considerable market potential in the future.

Fluxum is another one of the Group's best selling products. During the Reporting Period, despite that sales of Fluxum was adversely impacted as a result of certain medical institutions which adopted more conservative procurement plans under the current tender environment, Fluxum still achieved relatively fast development. Fluxum is the originator of parnaparin, and comes with three dosages series. The Group maximized the opportunities offered by the range of Fluxum's different dosage, and strategically carried out the market layout in a new round of drug tender process, as a result of which, the Group maintained the existing markets, explored and developed new markets, and maintained a stable pricing system. In addition, the Group consistently enhanced its cooperation with third-party promotion partners, reinforced close monitoring and effective involvement of clinical promotion of in-house marketing team, and continuously tapped into new markets, which increased the market share of Fluxum, and maintained its leading market position in the fields of similar products. During the Reporting Period, the Group increased its market coverage by over 300 new hospitals, representing a record breaking rate of hospital coverage growth over the years for Fluxum, which demonstrated a clear trend of improved layout of marketing network. The Group believes Fluxum has laid a solid foundation for fast growth in the next few years with the exploration of untapped markets and reasonable market network layout.

Polimod is the originator of pidotimod, featuring obvious advantages in quality and clinical efficacy comparing to generic drugs. The excellent efficacy and safety of Polimod are increasingly recognized and, as a result, Polimod has been increasingly recommended by doctors to patients. During the Reporting Period, by taking the advantage of the wide application of Polimod in several departments of hospitals, the Group strengthened the promotion effort in hospitals and departments covered in the network, so as to establishing a strong brand recognition in the pidotimod products field, as a result of which the proportion of sales of Polimod in retail pharmacies also increased significantly. In the second half of 2015, due to the delay in the renewal of the imported drug licence of Polimod, the Group was unable to import and sell the products, which adversely impacted on the Group's sales of Polimod. During the Reporting Period, sales of Polimod decreased by 3.1% compared to last year. At the end of 2015, new licence of Polimod with a term of five years was approved and issued. With the approval of new licence and the resumption of importing and selling activities, the Group believes that Polimod should continue to make a substantial contribution to the Group's financial performance. Besides that, after a series of discussions and negotiates during the Reporting Period, the Group entered into a supplemental agreement with the supplier, Polichem, in February 2016, pursuant to which the Group's rights to market, promote and sell Polimod has been extended from eight provinces to the whole territory of China with effect from 7 March 2016, that will further increase its contribution the Group's performance.

The Group has also firmly progressed to the development of its other products that are relatively new in the market. Neoton is creatine phosphate sodium for injection produced by Alfa Wassermann of Italy. It is primarily used for ischemic heart disease and cardiomyopathy resulting from various causes. Since the end of 2014, the Group has increased the coverage of its exclusive rights to import, sell and co-promote Neoton from five provinces to cover the entire China. During the Reporting Period, Neoton has obtained great development. The Group carried out a number of marketing initiatives for Neoton. In the new region where the Group is authorised to market and promote the product, the Group modified its marketing strategy to tailor for local conditions and implemented flexible approach to select third-party promotion partners according to the market environment in the different regions, with the aim to maximising the market coverage of the product by rapidly developing and increasing coverage over the untapped markets through effective utilization of the Group's resources in cardiovascular products and the improved management of third-party promotion partners. In addition, as the sole importer and distributor in respect of Neoton in China, the Group started to provide channel management in the region covered by co-promotion party in June 2015. The Group believes that Neoton will become an important product and bring further contribution to the Group's performance.

The Easyhaler series products include Budesonide Easyhaler and Salbutamo Easyhaler, both of which are inhalation drugs used for the treatment of asthma or chronic obstructive pulmonary disease ("**COPD**") in respiratory therapeutic area. Easyhaler products deliver a more scientific and standard theory and method for treatment of asthma and COPD. Since the beginning of the Reporting Period, Budesonide Easyhaler won more than 10 provincial bids included Hunan province and Zhejiang province, and Salbutamol Easyhaler was admitted to the National Low-Price Drugs List, which represents a substantial development from being admitted in limited provinces before. However, the Group's sales of Easyhaler products has been partially impacted due to the delay in the official publication of the tender results in some PRC provinces, which is still pending as of the date of this announcement. Easyhaler products are highly academic products in nature which require a long-term academic promotion period to augment physicians' treatment theory. During the Reporting Period, the Group continued to enhance its academic promotion efforts by organising and participating in various academic promotion conferences, and further developing the benchmarked hospitals and markets, in order to strengthen Easyhaler's brand recognition. With the further acceleration of the official execution of tender results and continuous academic promotion efforts, the Group believes that development of Easyhaler products will step up to a new level.

In 2014, the Group acquired a controlling equity stake in and restructured the debts of Covex, S.A ("**Covex**") and Covex, Farma S.L. (collectively referred to as "**Covex Group**") of Spain, which enabled the Group to obtain a stable supply of high quality Vinpocetine API at a low cost. At the end of 2015, Covex became a wholly-owned subsidiary of the Company. During the Reporting Period, certain customers' sales of Vinpocetine finished products were affected by the tender results, resulted in a decrease in demand for Vinpocetine API, which adversely affected

the Group's sales of Vinpocetine API. Further, the price competition of domestic generic drugs also impacted the sale of Vinpocetine API. However, the Group continues to seek ways to increase the sales of Vinpocetine API by maintaining its close relationships with existing clients, as well as actively developing new clients, particularly those that have newly obtained the approval to manufacture Vinpocetine and potential customers who are applying for such approval. Due to aging population, the demand for anti-senile dementia products continues to be on the rise. Relying on the obvious quality advantages over domestic generic drugs and the excellent services provided to clients before and after sales, the Group believes that Vinpocetine API still has huge market potential.

In 2012, the Group started providing comprehensive marketing, promotion and channel management services for medical devices in China. After more than three years of development, the Group's medical devices portfolio has expanded from WaveLight Eagle laser surgical series to a wide range of products covering ophthalmic surgical equipment, intraocular lens ("**IOL**"), odontology equipment and consumables and wound care products. During 2015, the Group's sales of WaveLight Eagle laser surgical series were adversely affected due to the suspension of tender process on large scale equipment in public hospitals, which also adversely impacted the Group's overall sales in the medical devices segment. For the Reporting Period, revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 32.7% compared to last year to RMB132.8 million, representing 9.1% of the Group's revenue. Gross profit increased by 4.2% compared to last year to RMB72.4 million, representing 15.6% of the Group's gross profit. The Group's sales of WaveLight Eagle laser surgical series decreased by RMB57.6 million representing a decrease of 75.0% as compared to last year to RMB19.2 million.

The Group has in the past primarily sold WaveLight Eagle laser surgical series through entering into co-operation agreements with public hospitals following a medical equipment tender process. The terms of the agreement typically provide that the Group will transfer the right of use of the equipment to the hospital and the hospital will, during the term of the agreement, purchase consumables of the equipment from the Group for an annual minimum amount. Upon expiry of the agreement term, the ownership of the equipment will be transferred to the hospital with no additional charges. During the Reporting Period, under the new policies of public hospitals, the tender process of large scale medical equipment was effectively suspended, which slowed down the progress of establishing cooperation between the Group and public hospitals. The Group also evaluated entering into similar cooperation arrangement with private hospitals but considered that private hospitals may not be able to meet any subsequent annual minimum purchase of consumables. Accordingly, the Group decided not to enter into cooperation arrangement with private hospitals in relation to WaveLight Eagle laser surgical series for the time being. However, during the Reporting Period, the Group substantially increased the sales of consumables of WaveLight Eagle laser surgical series to the hospitals with existing co-operation agreements through a series of academic promotion efforts, and achieved remarkable results.

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

NeutroPhase, a consumable among the Group's portfolio of medical devices and approved by the CFDA in September 2014, was officially launched in the market by the Group in 2015. NeutroPhase is manufactured by NovaBay of the United States. 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 moisturize 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. During the Reporting Period, the Group implemented full-scale sales and marketing activities for NeutroPhase, including appointing third-party promotion partners across the country and tracking regional tender process to increase the regional penetration of NeutroPhase. Additional marketing activities included collecting feedback of clinical cases after sample trial cooperation with nearly 100 hospitals and medical institutions, organizing academic promotion activities targeted at doctors and opinion leaders in the wound care area, and initiating joint clinical studies with several renowned Class III hospitals across the nation. During the Reporting Period, the Group appointed third-party promotion partners of NeutroPhase in nearly 20 provinces and municipals, and won bids in nearly 20 cities, which covered over 50 hospitals and medical institutions (including over 20 Class III hospitals) in these cities. A large number of clinical cases received positive feedback from doctors and experts in the wound care area. In June and August 2015, the Group respectively provided a large volume of free NeutroPhase to victims who suffered burns in the explosion at the Formosa Water Park in New Taipei City in Taiwan and at Tanggu, Binhai new area in Tianjin, which accelerated their wound healing process and prevented the risk of fatal infections. Academic promotion efforts and clinical studies help establish the brand recognition of NeutroPhase in wound care area, and lay solid foundation for the sales growth of the product. As a brand new medical device product in the wound care area, NeutroPhase does not have the corresponding charge codes in hospitals, which in turn adversely impacted the sales of NeutroPhase. Currently, the Group is working to resolve this issue as soon as possible in some key provinces. With the gradual resolution of the charge code issue, the Group believes that NeutroPhase would become a significant contributor to the Group's performance.

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

Category	**2015** ***RMB'000***	**Percentage of the Group's total Revenue/ Gross Profit** ***(%)***	2014 *RMB'000*	Percentage of the Group's total Revenue/ Gross Profit *(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**863,621**	**59.1**	867,045	56.3
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**107,119**	**23.2**	124,653	25.3

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

During the year of 2015, Alcon adjusted its business strategy in China through implementing a number of internal measures, which resulted in temporary fluctuation on marketing and promotion of Alcon's pharmaceutical products. Moreover, the slow down of the overall sales growth rate of ophthalmic pharmaceutical products in China and a reduction of the products' prices in certain provinces following the tender process have impacted the sales of Alcon's ophthalmic pharmaceutical products. For the Reporting Period, the Group's revenue generated from the sales of Alcon series ophthalmic pharmaceutical products was RMB863.6 million, representing a decrease of 0.4% as compared to last year, and contributed 59.1% of the Group's revenue. Gross profit was RMB107.1 million, representing a decrease of 14.1% as compared to last year and contributing 23.2% of the Group's gross profit. It is the Group's aim to maintain its close co-operation and working along with Alcon as a long-term partner, to further enhance the Group's efforts to co-promote the eight Alcon's products, and to work together to respond to the changes in the China's ophthalmic product market. Due to aging population and lifestyle changes, the incidence of ophthalmic diseases continues to be on the rise. This has led to significant increase in market demand for ophthalmic pharmaceutical products. The co-promotion and channel management services the Group provides for Alcon's ophthalmic pharmaceutical products is expected to enjoy sustained development in these favourable macroeconomic trends.

1.3 Product Pipeline Development

The Group actively seeks prospective product candidates for marketing, promotion and sales from overseas pharmaceutical and medical device companies. In addition to the existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that would sustain the Group's long term growth. When selecting prospective product candidates, the Group considers factors such as clinical features, competitive environment, registration and regulatory regime and reputation of suppliers.

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

During the Reporting Period, the sales of WaveLight Eagle laser surgical series, the Group's ophthalmic medical devices, decreased noticeably due to a suspension of tender process on large scale equipment in public hospitals. The Group actively seeks appropriate products to expand the ophthalmic medical devices product portfolio. After a series of negotiations during the Reporting Period, the Group entered into a framework agreement with Inami of Japan in January 2016, pursuant to which the Group was granted the exclusive marketing, promotion and channel management rights with respect to Inami ophthalmic medical devices marketed under the "Inami" brand in China. Inami is a Japanese manufacturer of surgical instruments, diagnostic instruments and clinical equipment. The company has more than 100 products which are sold in more than 50 countries and regions globally. Its main products include synoptiscopes, ophthalmic surgery microscopes, trial frames and lenses, slit lamps, phoroptors and certain ophthalmic surgical instruments. As the first step, the Group will market and sell Inami's synoptiscopes and certain of its ophthalmic surgical instruments which have been registered in China. Synotiscopes are designed for diagnosis and treatment of binocular vision (strabismus and amblyopia). The ophthalmic surgical instruments is designed for ophthalmic diagnosis and surgical purposes.

During the Reporting Period, with the great changes on review and approval polices for healthcare products in China, the Group appropriately adjusted its pipeline products' strategy in accordance with the new policies and re-streamline the pipeline products. Through a comprehensive evaluation on several factors such as registration cost and benefits and future market potential of the pipeline products, the Group retains over 10 products to continue its process of registering or preparing the registration application with the CFDA. The Group expects to leverage on its current network of third-party promotion partners, distributors, key opinion leaders and marketing channels to launch these pipeline products promptly once approvals are obtained. The description of the key products in the product pipeline is summarized as follows:

STARflo glaucoma implant is produced by iSTAR Medical of Belgium. It is a nondegradable, precision-pore implant made from Healionics' proprietary silicone STAR biomaterial technology. The product is designed to operate as a blebfree, micro-porous drainage system to reduce intraocular pressure of the patients suffering from open angle glaucoma by augmenting the eye's natural uveoscleral outflow. During the Reporting Period, after received the updated materials from supplier in relation to the upgrade of the product. The Group is now preparing for the registration application to the CFDA for STARflo and expects to submit the application in 2016.

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 obtained clinical trial approval in the second half of 2015.

Quetiapine fumarate is a new type of antipsychotic drug produced by Orion of Finland. It is applicable to the treatment of schizophrenia and moderates 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 Quetiapine fumarate in August 2011 and obtained clinical trial approval in the second half of 2015.

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 which enables the Group to market and promote a diverse range of healthcare products across different regions in China. This model also allows the Group to extend geographic coverage, maintain operational flexibility and reduce fixed and overall marketing and promotion costs.

In the second half of 2014, the Group restructured the business organization in order to further strengthen the building of professional in-house marketing team, business control and refine management of third party promotion partners. The Group established business units divided by different products or products series. Each product business unit is led by its own general manager or director, and supported by dedicated sales, market, business and financial team, and each team carries out its own marketing, promotion and sales work for products assigned to it.

After over a year of adjustments and running-in, with numerous improvements and modifications, the new organization structure has shown obvious results in building the professional in-house team and enhancing the management of third-party promotion partners. In terms of building the professional in-house team, each business unit has developed their own in-house marketing team through internal reorganization of human resources as well as recruitment of new talent externally, and provided targeted training around their respective responsible products so as to create a professional team in the field of their products. In addition, the Group further strengthened the direct involvement of its in-house marketing team in marketing activities, such as providing products' knowledge training on a regular basis to third-party promotion partners and expanding network of key opinion leaders in key therapeutic area through organizing and participating in various medical or pharmaceutical conferences, symposiums and product seminars, to ensure that accurate messages are delivered to physicians in time. In terms of enhancing the management of third-party promotion partners, the business units have overhauled the structure and introduced detailed management and performance review process for third-party promotion partners. In addition, the in-house marketing team has reinforced the training and support given to third-party promotion partners to improve the quality and widen the market coverage to ensure that any gaps in the market identified are filled and products' potential are fully realized. During the Reporting Period, the Group's mature products such as Difene, increased its market coverage by over 750 new hospitals and medical institutions, and Fluxum increased its market coverage by over 300 new hospitals, representing a record breaking rate of hospital coverage growth over the years. The Group's products that are relatively new in the market, such as Neoton, increased market coverage by over 30 new hospitals, and NeutroPhase, the new product launched in 2015, increased market coverage by over 50 hospitals.

Amid the fast changing pharmaceutical policies and market conditions, the Group's policies on resource allocation, assignment of responsibility to business unit by product, prudent financial budget and performance management, each of which helps promote the Group's operational efficiency, will continue to play an important role for the continual development of the Group. As of 31 December 2015, the Group sold products through its nationwide marketing, promotion and channel management services networks to over 29,500 hospitals and other medical institutions and over 106,000 pharmacies across all provinces, municipalities and autonomous regions in China.

3. Significant Investment

Investment in Covex Group

Covex Group, refers to two Spanish companies, Covex and Covex, Farma S.L, engages in the chemical and pharmaceutical business and manufactures API raw materials, pharmaceutical products and dietary supplements. In 2014, Pioneer Singapore, a wholly-owned subsidiary of the Company, acquired an aggregate of 68.6% of the equity interest in Covex Group for a total consideration of EUR4.36 million. In addition, Pioneer Singapore also acquired certain debts ("**Debts**") with an aggregate face value of EUR18.6 million for a consideration of EUR7.0 million. For details, please refer to the announcement of the Company dated 2 July 2014.

In September 2015, Covex conducted equity restructuring and Pioneer Singapore converted all the Debts into shares of Covex. After the completion of the restructuring, Pioneer Singapore held 100% equity interest in Covex. Furthermore, in December 2015, Covex acquired the entire shareholding of Covex Farma, S.L, and Covex Farma, S.L was subsequently dissolved and extinguished. After the completion, as of 31 December 2015, the Group through Pioneer Singapore held 100% equity interest in Covex.

The Group purchases Vinpocetine API from the Covex Group. Vinpocetine API is currently one of the key products of the Group. The Group believes that the investment will enable the Group to obtain a stable supply of high quality Vinpocetine API at a low cost.

For the year ended 31 December 2015, the Group recognised an impairment loss of goodwill of RMB14.7 million in relation to Covex Group. The Group has determined the recoverable amount on the basis of value in use calculations.

Investment in NovaBay

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

The Group entered into a securities purchase agreement with NovaBay on 6 March 2015, pursuant to which the Group purchased 2,590,000 ordinary shares of NovaBay, 2,590,000 unit of warrants with an expiry date of 5 June 2016 ("**Warrant A**") and 1,942,500 unit of warrants with an expiry date of 5 September 2020 ("**Warrant B**") for a total consideration of US$1,554,000 (equivalent to approximately RMB9,561,000). In December 2015, NovaBay changed the expiry date of each of Warrant A and Warrant B to 5 March 2020. The Group 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.

As of 31 December 2014, the Group held a total of 7,613,812 ordinary shares of NovaBay, representing approximately 14.7% equity interest in NovaBay. On 6 March 2015, the Group further subscribed for 2,590,000 ordinary shares of NovaBay and subsequent to the subscription, the Group held a total of 10,203,812 ordinary shares of NovaBay, representing approximately 16.7% equity interest in NovaBay. In May and October 2015, Novabay issued shares to various other investors and the Group's interest in NovaBay was diluted to 11.71%. In December 2015, NovaBay consolidated its shares on a 25 for one basis and following which the Group held a total of 408,152 ordinary shares of NovaBay, representing approximately 11.71% equity interest. For the year ended 31 December 2015, the Group recognised an impairment loss on investment in NovaBay of RMB41.3 million. The recoverable amount of investment in associates has been determined based on the quoted market price. In addition, the Group recognised share of loss of NovaBay of RMB11.6 million.

With effect from 10 April 2015, Mr. Li Xinzhou was appointed as a director of NovaBay. The Directors consider that the Group can exercise significant influence over NovaBay.

In February 2016, the Group acquired further shares in NovaBay. Please refer to the section "Events after the Reporting Period" for details.

Investment in Q3

Q3 is a holding company registered in Ireland, and QualiMed Innovative Medizinprodukte Gmbh ("**QualiMed**") and amg International GmbH ("**AMG**") are each a wholly-owned subsidiary of Q3.

QualiMed is a company incorporated in Germany, specializing 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 rights 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. AMG is a company incorporated in Germany, which sells coronary and peripheral vascular products.

To further enhance the business co-operation with QualiMed and to improve the Company's prospects of renewing or extending the exclusive right granted by QualiMed for certain products, the Group has completed several rounds of investments towards Q3 since 2013 through its wholly-owned subsidiary, Pioneer Singapore. During the Reporting Period, the Group converted a loan of a principal amount of EUR1,500,000 (equivalent to approximately RMB9,778,000) into 26,354 ordinary shares of Q3. The Group also further subscribed for 19,500 ordinary shares of Q3 for a total consideration of approximately EUR1,500,000 (equivalent to approximately RMB10,044,000).

As of 31 December 2015, the Group held a total of 148,165 ordinary shares of the issued share capital of Q3, representing approximately 36.57% (31 December 2014: 32.99%) of the issued share capital of Q3. For the year ended 31 December 2015, the Group recognised share of loss of Q3 of RMB17.1 million.

FUTURE AND OUTLOOK

Looking forward, China health care market has entered into a crucial phase of a comprehensive structural reform. With the frequent announcement of policies relating to pharmaceutical industry, such as drug's pricing mechanism, control of drug's usage amount, and compliance in drug's sales channel, China's pharmaceutical industry as a whole is undergoing unprecedented changes. However, changes will also bring opportunities. Overall, China's pharmaceutical industry is still experiencing rapid growth. The Group will further position its role in the Chinese pharmaceutical industrial chain and dedicate to provide marketing, promotion and channel management service for imported pharmaceutical products and medical devices in China. The Group will also focus on two core development strategies, namely further development and optimization of product portfolio, and expansion and improvement of marketing network. The Group will take advantage of its competitive strength and seize any opportunities that arise to achieve sustainable development.

The Group will continue to proactively select products with high growth potential and add more prospective products to its portfolio. Meanwhile, the Group will continue to improve its sales and marketing network, further strengthen the building of professional in-house team and enhance the management of third-party promotion partners, tap into the unfilled market for potential products and while increase market share in existing market for matured products, so as to optimize the Group's marketing resources and maximize the products' market value.

FINANCIAL REVIEW

Revenue

Revenue decreased by 5.2% from RMB1,540.4 million in 2014 to RMB1,460.9 million in 2015. Revenue generated from products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 11.3% from RMB673.4 million in 2014 to RMB597.3 million in 2015, primarily due to (i) sales of medical device product WaveLight Eagle laser surgical series decreased RMB57.6 million, representing a decrease of 75.0% as compared to last year, due to a suspension of tender process on large scale equipment in public hospitals; and (ii) sales of Polimod decreased by 3.1% due to the delay

in the renewal of the imported drug licence. Revenue generated from products sold via the provision of co-promotion and channel management services slightly decreased by 0.4% from RMB867.0 million in 2014 to RMB863.6 million in 2015, primarily due to Alcon adjusted the business strategy in China through taken a number of internal measures which resulted in temporary fluctuation on marketing and promotion of Alcon's pharmaceutical products.

Cost of sales

Cost of sales decreased by 4.8% from RMB1,048.4 million in 2014 to RMB998.3 million in 2015, primarily due to a decrease in sales volume. Cost of sales for products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 21.0% from RMB306.1 million in 2014 to RMB241.8 million in 2015. Cost of sales for products sold via the provision of co-promotion and channel management service increased by 1.9% from RMB742.4 million in 2014 to RMB756.5 million in 2015.

Gross profit and gross profit margin

Gross profit decreased by 6.0% from RMB491.9 million in 2014 to RMB462.6 million in 2015. The Group's average gross profit margin slightly decreased from 31.9% in 2014 to 31.7% in 2015. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased from 62.5% in 2014 to 60.9% in 2015, primarily due to a decrease in the bid price of some pharmaceutical products in certain regions compared to last year. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased from 35.2% in 2014 to 54.5% in 2015, primarily due to a higher proportion of revenue being derived from medical devices products that generate higher margins. The Group's gross profit margin for products sold via the provision of co-promotion and channel management services decreased from 14.4% to 12.4% in 2015, primarily due to certain level of decline in bid price of products in several regions.

Other income

Other income increased by 51.7% from RMB51.4 million in 2014 to RMB77.9 million in 2015, primarily due to an increase in the amount of government grants. The government grants increased from RMB9.4 million in 2014 to RMB31.7 million in 2015, represented additional grants received by the Group's wholly-owned subsidiary Naqu Area Pioneer Pharma Co., Ltd ("**Naqu Pioneer**") and Xiantao City Pioneer Pharma Co., Ltd in respect of taxes paid pursuant to local government's policies to encourage local business operations.

Distribution and selling expenses

Distribution and selling expenses decreased by 11.3% from RMB152.7 million in 2014 to RMB135.4 million in 2015, primarily due to a decrease of third party promotional expenses with the decrease in revenue and a decrease in distribution and selling expenses in respect of mature products. Distribution and selling expenses as a percentage of revenue slightly decreased from 9.9% in 2014 to 9.3% in 2015.

Administrative Expenses

Administrative expenses increased by 15.5% from RMB57.8 million in 2014 to RMB66.7 million in 2015, primarily due to (i) certain pipeline products stop the registration process according to the adjustment of healthcare products of CFDA, which resulted in one-time amortization of the registration fee; and (ii) an increase of intermediary consulting fee due to participated merger & acquisition projects. Administrative expenses as percentage of revenue increased from 3.8% in 2014 to 4.6% in 2015.

Finance costs

Finance costs increased by 41.1% from RMB14.1 million in 2014 to RMB20.0 million in 2015, primarily due to an increase in bank loans which result in increased interest payment.

Other gains and losses

Other gains and losses were decreased from gain of RMB1.4 million in 2014 to loss of RMB82.7 million in 2015, primarily due to the Group made impairment of investments in overseas associates namely NovaBay and Q3 totally amounting to RMB56.0 million, and the increase in the foreign exchange loss for the borrowings denominated in foreign exchange due to the depreciation of Renminbi during the second half of 2015.

Income tax expense

Income tax expense decreased by 21.6% from RMB43.7 million in 2014 to RMB34.3 million in 2015. The Group's effective income tax rate in 2015 and 2014 was 15.2% and 14.4%, 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 2015 included the recognition of RMB6.5 million of PRC withholding tax pursuant to the payment of an interim dividend of RMB75.3 million and proposed payment of a final dividend of RMB47.5 million.

Profit for the year

As a result of the above factors, the Group's profit decreased by 33.9% from RMB261.0 million in 2014 to RMB172.5 million in 2015. Excluding (i) an impairment loss of RMB 41.3 million on investment in associates; (ii) an impairment loss on goodwill of RMB14.7 million; and (iii) the Group's share of loss of associates of RMB28.9 million (all of which amounted to RMB84.9 million), the adjusted net profit of the Group amounted to RMB257.4 million in 2015. The Group's net profit margin decreased from 16.9% in 2014 to 11.8% in 2015.

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 increased from RMB260.8 million as of 31 December 2014 to RMB317.1 million as of 31 December 2015.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2015:

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash from (used in) operating activities	**304,690**	(17,778)
Net cash from (used in) investing activities	**420,938**	(348,694)
Net cash from (used in) financing activities	**(671,574)**	(70,996)
Net increase (decrease) in cash and cash equivalents	**54,054**	(437,468)
Cash and cash equivalent at beginning of the year	**260,834**	702,073
Effect of foreign exchange rate changes	**2,225**	(3,771)
Cash and cash equivalents at end of the year	**317,113**	260,834

Net cash from (used in) operating activities

In 2015, the Group's net cash from in operating activities was RMB304.7 million compared to net cash used in operating activities of RMB17.8 million in 2014. This was mainly due to strengthen accounts receivable collection efforts and reduce unnecessary marketing expenses.

Net cash from (used in) investing activities

In 2015, the Group's net cash from investing activities was RMB420.9 million compared to net cash used in investing activities of RMB348.7 million in 2014. This was mainly due to redemption to trust investment funds and withdrawal of pledged bank deposits.

Net cash from (used in) financing activities

In 2015, the Group's net cash used in financing activities was RMB671.6 million compared to net cash from financing activities of RMB71.0 million in 2014. This was mainly due to repayment of bank loans.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB285.9 million as at 31 December 2015 compared to RMB610.4 million as at 31 December 2014. On 31 December 2015, the effective interest rate of the Group's bank borrowings was ranging from 1.01% to 4.97%, and 56.0% of the Group's bank borrowings were denominated in Renminbi while 44.0% were denominated in US Dollars. On 31 December 2015, bank borrowings of RMB285.9 million were secured under the pledge of the Group's bills receivables, trade receivables and bank deposits. On 31 December 2014, bank borrowings of RMB520.4 million were secured by the pledge of the Group's bank deposits trade receivables and bills receivables. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 15.7% as at 31 December 2015 compared to 23.9% as at 31 December 2014.

Net Current Assets

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Current Assets		
Inventories	**663,249**	619,969
Finance lease receivables	**21,720**	18,604
Trade and other receivables	**420,366**	576,046
Trust investments	**–**	10,000
Amounts due from related parties	**1,296**	7,370
Tax recoverable	**475**	–
Prepaid lease payments	**52**	52
Derivative financial instrument	**251**	–
Pledged bank deposits	**112,968**	518,374
Bank balances and cash	**317,113**	260,834
	1,537,490	2,011,249
Current Liabilities		
Trade and other payables	**471,690**	473,700
Amounts due to related parties	**–**	35,204
Tax liabilities	**14,778**	14,741
Bank and other borrowings	**285,935**	610,416
Provision	**1,870**	4,715
Derivative financial instrument	**–**	83,087
Obligations under finance lease	**1,943**	690
	776,216	1,222,553
Net Current Assets	**761,274**	788,696

As of 31 December 2015, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances increased 7.0% from RMB620.0 million as at 31 December 2014 to RMB663.2 million as at 31 December 2015, primarily due to the increase in inventories to those products whose registration certificates were due for renewal.

Trade and Other Receivables

The Group's trade and other receivables decreased 27.0% from RMB576.0 million as at 31 December 2014 to RMB420.4 million as at 31 December 2015, primarily due to the decrease of revenue and strengthen accounts receivable collection efforts, trade receivables turnover days increased from 73.0 days as at 31 December 2014 to 89.4 days as at 31 December 2015, primarily due to the decrease of revenue and the large balance of accounts receivable at the beginning of the year.

Trade and Other Payables

The Group's trade and other payables decreased 0.4% from RMB473.7 million as at 31 December 2014 to RMB471.7 million as at 31 December 2015. The Group's trade payables turnover days increased from 123.7 days as at 31 December 2014 to 149.5 days as at 31 December 2015, primarily due to extended payment terms granted for certain products as a result of the Group's bulk purchases.

Capital Expenditure

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

	For the year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**6,149**	39,477
Purchases of intangible assets	**1,600**	6,314
Total	**7,749**	45,791

Indebtedness

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

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Total *RMB'000*
As of 31 December 2015			
Bank borrowings	**285,935**	**–**	**285,935**
Trade payables	**425,977**	**101**	**426,078**
As of 31 December 2014			
Bank borrowings	610,416	–	610,416
Trade payables	391,730	21	391,751

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2015.

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, such as the increase in the Group's financing cost for the borrowings denominated in foreign exchange due to the depreciation of Renminbi during the second half of 2015.

Dividend

For the year ended 31 December 2015, the aggregate amount of the interim dividend of 2015 and the final dividend of year ended 31 December 2014 was respectively RMB75.3 million and RMB112.5 million. The Board resolved to recommend the payment of a final dividend of RMB3.6 cents per share, subject to the approval of the Shareholders in the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") to be held on 20 May 2016. The final dividend is expected to be paid to the Shareholders on 2 June 2016. It will be paid in Hong Kong dollars, such amount is to be calculated by reference to the middle rate last published by People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at 24 May 2016.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2015, the Group had a total of 386 employees. For the year ended 31 December 2015, the staff costs of the Group was RMB51.8 million as compared to RMB52.5 million for the year ended 31 December 2014.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in respect of the local market, the overall remuneration standard in the industry, the inflation level, 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.

In addition, the Company adopted the Share Award Scheme to recognise the contribution by certain employees including Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. On 9 October 2015, the Board had resolved to grant a total of 25,060,000 Awarded Shares to 150 Selected Employees with the Award Price HK$5.076 of each Awarded Share. Subject to the terms and conditions of the Scheme, the Awarded Shares will be vested in full in three years with one third to be vested on each of the first, the second and the third anniversary of the date of the grant respectively.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 20 May 2016 (Friday). A notice convening the Annual General Meeting will be published and despatched to the shareholders in the manner required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2016 to 20 May 2016, 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 20 May 2016. 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 9 May 2016.

The register of members of the Company will also be closed on 26 May 2016, 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 25 May 2016.

USE OF PROCEEDS FROM SHARE OFFER

As at 31 December 2015, 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 PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. For the year ended 31 December 2015, the Company has complied with all applicable code provisions under the CG Code. The Company will continue to review and monitor its corporate governance practices to ensure its compliance with the CG Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code contained in the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the purchases of the shares of the Company (the "**Shares**") by the trustee pursuant to the Share Award Scheme.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme to recognise the contribution by certain employees including Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme has a term of 10 years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015. Term used herein shall have the same meanings as defined in the Company's announcement dated 10 April 2015.

On 9 October 2015, the Board had resolved to grant a total of 25,060,000 Awarded Shares to 150 Selected Employees with the Award Price HK$5.076 of each Awarded Share, which represents the average purchase cost per Share in relation to all the Shares that the Trustee purchased on the market between 22 April 2015 to 28 August 2015 pursuant to the Scheme. The Awarded Shares represent approximately 18.8% of the scheme limit under the Scheme. Subject to the acceptance of grant of the Awarded Shares by the Selected Employees and the terms and conditions of the Scheme, the Awarded Shares will be vested in full in three years with one third to be vested on each of the first, the second and the third anniversary of the date of grant respectively. Save for Mr. Wang Yinping (the chief executive officer of the Company and an executive Director) and Mr. Zhu Mengjun (the chief financial officer of the Company and an executive Director), who have been granted 1,300,000 and 1,100,000 Awarded Shares respectively, none of the Selected Employees is a Director, chief executive or substantial shareholder of the Company, nor an associate (as defined in the Listing Rules) of a Director, chief executive or substantial shareholder of the Company. For details of grant of Awarded Shares, please refer to the announcement of the Company dated 9 October 2015.

AUDIT COMMITTEE

The principal duties of the audit committee of the Company (the "**Audit Committee**") include the review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated 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 2015 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 2015. The Company will submit a resolution in the forthcoming Annual General Meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

On 16 February 2016, Pioneer Singapore entered into a securities purchase agreement with NovaBay to purchase 696,590 ordinary shares of NovaBay for a consideration of US$1,330,000 (equivalent to RMB8,670,000). After the acquisition, the Group held a total of 1,104,742 ordinary shares of NovaBay, representing approximately 22.1% equity interest in NovaBay. Following the acquisition, the exercise price of each of Warrant A and Warrant B with expiry date on 5 March 2020 has been adjusted to US$1.81 per share. For details of Warrant A and Warrant B, please refer to the section "3. Significant Investment — Investment in NovaBay" of this announcement.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2015 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 2015 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, 29 March 2016

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.