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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Pioneer Pharma Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2019, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2020 was RMB622.5 million, which represents a 0.4% increase compared to RMB620.3 million for the same period last year.

- Gross profit of the Group for the six months ended 30 June 2020 was RMB251.7 million, which represents a 17.5% decrease compared to RMB305.1 million for the same period last year.

- Net profit of the Group for the six months ended 30 June 2020 was RMB30.4 million, which represents a 69.1% decrease compared to RMB98.2 million for the same period last year.

- Basic earnings per share of the Company was RMB0.03 for the six months ended 30 June 2020, which represents a 62.5% decrease compared to RMB0.08 for the same period last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**For the six months ended 30 June 2020** RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	*3*	**622,495**	620,253
Cost of sales		**(370,819)**	(315,202)
Gross profit		**251,676**	305,051
Other income	*4*	**11,569**	19,200
Other gains and losses	*5*	**24,801**	49,962
Impairment losses under expected credit loss model, net of reversal	*14*	**(6,018)**	(8,139)
Distribution and selling expenses		**(182,832)**	(208,126)
Administrative expenses		**(31,306)**	(37,928)
Finance costs		**(616)**	(2,463)
Share of loss of associates		**(7,177)**	(13,979)
Profit before tax		**60,097**	103,578
Income tax expense	*6*	**(29,744)**	(5,427)
Profit for the period	*7*	**30,353**	98,151
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
– Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")	*12*	**(70,133)**	(51,082)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(2,470)**	171
– Share of exchange difference of associates		**590**	(138)
Other comprehensive expense for the period		**(72,013)**	(51,049)
Total comprehensive (expense) income for the period		**(41,660)**	47,102
Profit (loss) for the period attributable to:			
Owners of the Company		**30,767**	98,657
Non-controlling interests		**(414)**	(506)
		30,353	98,151
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(41,246)**	47,608
Non-controlling interests		**(414)**	(506)
		(41,660)	47,102
		RMB yuan	RMB yuan
Earnings per share			
Basic	*9*	**0.03**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As At 30 June 2020

	Notes	**As at 30 June 2020** ***RMB'000*** **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Non-current Assets			
Property, plant and equipment		**55,919**	47,459
Right-of-use assets		**7,602**	7,747
Intangible assets		**6,849**	11,980
Interests in associates	*11*	**60,138**	24,535
Equity instruments at FVTOCI	*12*	**80,958**	150,096
Finance lease receivables		**857**	1,353
Deposits paid for acquisition of property, plant and equipment		**4,086**	2,200
Deferred tax assets		**11,732**	7,788
Amount due from a related party		**63,343**	63,343
		291,484	316,501
Current Assets			
Inventories		**334,516**	393,359
Finance lease receivables		**4,335**	8,038
Trade and other receivables	*13*	**348,684**	327,354
Amounts due from related parties		**60,736**	8,763
Financial assets at fair value through profit or loss ("**FVTPL**")	*10*	**23,383**	198,546
Tax recoverable		**4,164**	7,103
Loan to an associate		**816**	8,147
Pledged bank deposits		**10,480**	12,491
Bank balances and cash		**165,699**	270,284
		952,813	1,234,085
Current Liabilities			
Trade and other payables	*15*	**155,098**	307,694
Dividend payable		**38,710**	–
Amount due to an associate		**1,700**	1,700
Tax liabilities		**28,941**	29,959
Bank borrowings	*16*	**44,379**	48,843
Contract liabilities		**12,296**	10,816
Lease liabilities		**121**	118
		281,245	399,130
Net Current Assets		**671,568**	834,955
Total Assets less Current Liabilities		**963,052**	1,151,456

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Capital and Reserves			
Share capital		**77,566**	77,566
Reserves		**875,452**	1,063,982
Equity attributable to owners of the Company		**953,018**	1,141,548
Non-controlling interests		**2,025**	2,439
Total Equity		**955,043**	1,143,987
Non-current liabilities			
Deferred tax liabilities		**8,000**	7,400
Lease liabilities		**9**	69
		8,009	7,469
		963,052	1,151,456

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

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

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

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of Covid-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. Even though the Group had resumed its trading activities since 3 February 2020, they were not operating at normal capacity as delivery of goods had been delayed and the Group's business are all in various locations in the mainland where different precautious measures were in place. On the other hand, as Covid-19 pandemic rampages through the world, there has been reported shortage of personal protective materials. The Group is keen to support people who are in need at this difficult time and has, as a measure, been exploring ways to help responding to the exigent demand for personal protective materials, including face masks. Hence, the Group has developed a new segment for the exports of personal protective materials ("**Exports of personal protective materials**" as defined in note 3) during the current interim period. As such, the financial positions and performance of the Group were affected in different aspects, including write-down of inventories, reduction in revenue from sales of pharmaceutical products and medical devices and development of a new segment as disclosed in the relevant notes.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3. SEGMENT INFORMATION

Revenue from sales of pharmaceutical products, medical devices and personal protective materials is recognised at a point of time when the customer obtains control of the distinct goods upon acceptance by customers.

Information reported to the executive directors, being the chief operating decision maker ("**CODM**"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. 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 – sales of the Group's ophthalmic pharmaceutical products to the customers under the channel management arrangement ("**Products sold via the provision of channel management services**"). Products sold via the provision of channel management services related solely to sale arrangements with Alcon.

(b) Sales of all of the Group's pharmaceutical products and medical devices except for ophthalmic pharmaceutical products to the customers under the comprehensive marketing, promotion and channel management arrangement ("**Products sold via the provision of comprehensive marketing, promotion and channel management services**").

(c) Different from the sales of "Products sold via the provision of channel management services" and "Products sold via the provision of comprehensive marketing, promotion and channel management services" which of the products are meant to be sold in the PRC, the Group's personal protective materials products are focusing on the export market ("**Exports of personal protective materials**"). Exports of personal protective materials include masks, protective gloves and protective suits, which are exported to Europe, the United States, Australia and other regions.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenues and results

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

For the six months ended 30 June 2020 (Unaudited)

	Exports of personal protective materials *RMB'000*	**Products sold via the provision of comprehensive marketing, promotion and channel management services** *RMB'000*	**Products sold via the provision of channel management services** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**108,414**	**387,388**	**126,693**	**622,495**
Cost of sales	**(88,305)**	**(161,639)**	**(120,875)**	**(370,819)**
Gross profit & segment result	**20,109**	**225,749**	**5,818**	**251,676**
Other income				**11,569**
Other gains and losses				**24,801**
Impairment losses under expected credit loss model, net of reversal				**(6,018)**
Distribution and selling expenses				**(182,832)**
Administrative expenses				**(31,306)**
Finance costs				**(616)**
Share of loss of associates				**(7,177)**
Profit before tax				**60,097**

For the six months ended 30 June 2019 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services *RMB'000*	Products sold via the provision of channel management services *RMB'000*	Consolidated *RMB'000*
Segment revenue	468,656	151,597	620,253
Cost of sales	(171,913)	(143,289)	(315,202)
Gross profit & segment result	296,743	8,308	305,051
Other income			19,200
Other gains and losses			49,962
Impairment losses under expected credit loss model, net of reversal			(8,139)
Distribution and selling expenses			(208,126)
Administrative expenses			(37,928)
Finance costs			(2,463)
Share of loss of an associate			(13,979)
Profit before tax			103,578

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of sales		
Sales of pharmaceutical products	**435,989**	555,686
Sales of medical devices	**78,092**	64,567
Sales of personal protective materials	**108,414**	–
	622,495	620,253
Types of major products		
Products sold via the provision of channel management services:		
Alcon	**126,693**	151,597
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**155,345**	171,077
Difene	**86,293**	86,575
Neoton	**22,943**	58,825
Polimod	**18,161**	34,463
Macmiror complex and Macmiror	**17,781**	33,061
FLEET Phospho-Soda	**5,343**	6,566
Vinpocetine API	**2,797**	13,522
Others	**633**	–
Pharmaceutical products	**309,296**	404,089
Medical equipments and supplies	**78,092**	64,567
	387,388	468,656
Exports of personal protective materials	**108,414**	–
	622,495	620,253

Geographical information

About 83% (2019: Over 99%) of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC). During the current interim period, among the exports of personal protective materials, the Group has export of personal protective materials to Europe, the United States and Australia which amounted to RMB59,870,000, RMB44,221,000 and RMB4,323,000, respectively.

4. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**7,949**	4,561
Interest on bank deposits	**384**	267
Interest income on finance leases	**724**	3,245
Interest on amount due from a related party	**1,708**	2,819
Service income	**171**	5,112
Dividend received from an equity instrument at FVTOCI	**–**	2,686
Interest on loan to an associate	**633**	510
	11,569	19,200

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gains	**3,354**	296
Loss on disposal of intangible assets	**(2,890)**	–
Gain on fair value change of financial assets at FVTPL	**3,072**	2,059
Reversal of impairment loss on interest in an associate *(Note 11)*	**21,189**	43,881
Impairment loss on interest in an associate *(Note 11)*	**(4,000)**	–
Gain on disposal on interest in an associate	**–**	544
Gain on dilution on interest in an associate *(Note 11)*	**4,076**	3,182
	24,801	49,962

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**17,977**	6,837
Hong Kong Profits Tax	**–**	347
PRC withholding tax on dividends distributed by subsidiaries	**13,000**	–
	30,977	7,184
Underprovision in prior period		
PRC Enterprise Income Tax	**2,111**	125
Deferred tax		
Current period	**(3,344)**	(1,882)
	29,744	5,427

7. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Directors' remuneration	**1,649**	2,443
Other staff's retirement benefits scheme contributions	**2,301**	4,595
Other staff costs	**23,682**	22,551
Total staff costs	**27,632**	29,589
Write-down (reversal of write-down) of inventories	**10,697**	(570)
Depreciation of right-of-use assets	**148**	43
Depreciation for property, plant and equipment	**2,877**	3,279
Amortisation of intangible assets	**175**	778
Cost of inventories recognised as an expense	**370,819**	315,202

8. DIVIDENDS

During the current interim period, a special dividend of HKD0.096 (equivalent to RMB0.086) per share and a final dividend of HKD0.035 (equivalent to RMB0.032) per share in respect of the year ended 31 December 2019 (2019: nil) were declared to shareholders of the Company. The aggregate amount of the special dividends declared and paid in the interim period amounted to RMB105,784,000 (2019: nil). The aggregate amount of the final dividends declared in the interim period amounted to RMB38,710,000 (2019: nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.071 (equivalent to RMB0.064) per share amounting to HKD89,500,000 (equivalent to RMB81,000,000) (2019: nil) in aggregate will be paid to shareholders of the Company.

9. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**30,767**	98,657
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,211,669,440**	1,225,956,398

For the six months ended 30 June 2020 and 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been taken into account the ordinary shares purchased by Bank of Communications Trustee Limited from the market pursuant to the share award scheme and the ordinary shares repurchased and cancelled by the Company.

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

10. FINANCIAL ASSETS AT FVTPL

	2020	2019
	RMB'000	*RMB'000*
Unlisted investments:		
– Structured bank deposits *(Note a)*	**23,383**	166,546
– Trust *(Note b)*	**–**	32,000
	23,383	198,546

Notes:

(a) During the period ended 30 June 2020, the Group entered into several contracts of structured deposits with various banks in the PRC. The structured bank deposits earn minimum return of 1.1% to 2.8% per annum (31 December 2019: 0.3% to 2.85% per annum), while the total expected return is up to 3.3% to 3.65% per annum (31 December 2019: 3.46% to 4.00% per annum). The contracts are with maturity on or before 27 August 2020. The principal of RMB23,000,000 (31 December 2019: RMB166,546,000) was guaranteed by the relevant banks as at 30 June 2020. During the period ended 30 June 2020, a fair value gain of RMB2,392,000 (30 June 2019: RMB2,059,000) was recognised.

(b) The balance as of 31 December 2019 represents the investment in Wuxing Huixin Wealth Management Trust (五行匯誠資產配置集合資金信託, the "**Trust**"), which is incorporated in the PRC. The Trust specialises in investing in fixed income products. During the period ended 30 June 2020, the Group has fully redeemed the Trust and a fair value gain of RMB680,000 (30 June 2019: nil) was recognised.

11. INTERESTS IN ASSOCIATES

Name of associate	Form of entity	Classes of shares held	Principal activity	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group	
					30 June 2020	31 December 2019
NovaBay Pharmaceuticals, Inc. ("**NovaBay**") *(Note a)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	United States	**14.97%**	18.57%
Chongqing Shushi Medical Facilities Company Limited ("**Shushi**") (重慶舒視醫療器械有限公司) *(Note b)*	Incorporated	Registered capital	Sales of medical devices	PRC	**34%**	34%
DMAX Co., Ltd ("**DMAX**") *(Note c)*	Incorporated	Ordinary shares	Production zirconia-related dental products	Republic of Korea	**25%**	–

Notes:

(a) During the six months ended 30 June 2020, NovaBay issued an aggregate of 6,711,000 shares to various investors. A gain on dilution of approximately RMB4,076,000 was recognised in profit or loss. As of 30 June 2020, the Group held a total of 5,188,421 ordinary shares representing approximately 14.97% (31 December 2019: 5,188,421 ordinary shares representing approximately 18.57%) of issued shares of NovaBay. The Group is able to exercise significant influence over NovaBay because it has the power to appoint one out of the eight directors under the Articles of Association of this company and has appointed one director to the board of directors of NovaBay (31 December 2019: one director).

(b) Shushi is engaged in sale of medical devices but yet to commence its operation at 30 June 2020 and 31 December 2019.

(c) During the six months ended 30 June 2020, the Group acquired 25% equity interest of DMAX, which is primarily engaged in producing zirconia-related dental products, including veneers, crowns and implants, etc. The consideration of the acquisition was US$3,000,000 (equivalent to RMB20,929,000).

Indicated by the financial performance of NovaBay and DMAX for the six months ended 30 June 2020, the Group performed impairment assessment for its recoverable amount in accordance with IAS 36 'Impairment of Assets' as a single asset.

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

The recoverable amount of the investment in NovaBay as at 30 June 2020 have been determined based on the quoted market price less cost of disposal. The recoverable amount of the investment is greater than the corresponding carrying amount, a reversal of impairment loss of approximately RMB21,189,000 is recognised (30 June 2019: RMB43,881,000) for the six months ended 30 June 2020 in relation to the interests in associates.

The recoverable amount of the investment in DMAX is determined based on value in use and it is lower than the corresponding carrying amount, an impairment loss of approximately RMB4,000,000 is recognised for the six months ended 30 June 2020 in relation to the interests in associates.

12. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**55,158**	119,796
Unlisted investments:		
– Equity securities *(Note b)*	**25,800**	30,300
	80,958	150,096

Notes:

(a) The listed equity investment represents 17.8% (31 December 2019: 16.5%) ordinary shares of an entity listed in Australian Securities Exchange, Paragon Care Limited ("**Paragon**"). During the six months ended 30 June 2020, the Group has acquired additional 1.3% of ordinary shares of Paragon with consideration of RMB4,526,000. This investment is not held for trading, instead, it is held for long-term strategic purpose. The Group waived its ability to nominate a director to the board of Paragon from 20 November 2018 to 31 December 2020. Thus, it is not considered as an associate of the Group as at 30 June 2020 and 31 December 2019. The directors of the Company have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

(b) The balances as of 30 June 2020 and 31 December 2019 represent an investment in Shanghai Yuhan fund (上海譽瀚股權投資基金合夥企業(有限合夥), the "**Fund**"), which is incorporated in the PRC. The Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 30 June 2020 and 31 December 2019, the Fund received contributions from shareholders of RMB250 million, among which the Group injected RMB20 million which accounted for 8% of the equity interest of the Fund. The Fund represents an investment in unlisted private entities and structured deposits. The directors of the Company have elected to designate this investment in equity instrument at FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding this investment for long-term purpose and realising its performance potential in the long run.

As at 30 June 2020, the carrying amount of the listed equity investment at FVTOCI of RMB15,222,000 (31 December 2019: RMB35,425,000) has been pledged as security for the bank borrowing of RMB14,581,000 (31 December 2019: RMB48,843,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables	**283,834**	269,641
Less: Allowance for credit losses	**(12,750)**	(8,070)
	271,084	261,571
Other receivables, prepayments and deposits	**19,585**	22,098
	290,669	283,669
Advance payment to suppliers	**28,062**	31,717
Other tax recoverable	**29,953**	11,968
Total trade and other receivables	**348,684**	327,354

In relation to the sales of pharmaceutical products, the Group allows a credit period from 30 days to 180 days to its trade customers. In relation to the sales of personal protective materials, the Group allows a credit period from 15 days to 45 days to its trade customers.

For sales of medical devices, except for certain 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 aging analysis of trade receivables net of allowance for credit losses, presented based on invoice date at respective reporting dates, which approximated the respective revenue recognition dates:

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
0 to 60 days	**175,989**	189,194
61 days to 180 days	**62,514**	56,911
181 days to 1 year	**23,720**	11,188
1 year to 2 years	**8,314**	3,561
Over 2 years	**547**	717
	271,084	261,571

As at 30 June 2020, total bills received amounting to RMB19,764,000 (31 December 2019: RMB35,080,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than 180 days.

14. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment loss recognised in respects of		
– trade receivables	**4,680**	2,160
– finance lease receivables	**1,338**	5,979
	6,018	8,139

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the interim period ended 30 June 2019, the Group wrote-off the impairment allowance of trade receivables of RMB3,650,000, in particular to an individual debtor due to long outstanding balance for over 3 years and impairment allowance of finance lease receivables of RMB3,824,000, in particular to an early termination of a lease agreement.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**121,306**	263,532
Payroll and welfare payables	**3,230**	4,229
Other tax payables	**508**	1,321
Marketing service fee payables	**9,656**	12,175
Deposits received from distributors	**19,542**	19,946
Other payables and accrued charges	**856**	6,491
	155,098	307,694

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

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

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
0 to 90 days	**86,682**	262,796
91 to 180 days	**34,624**	2
181 to 365 days	**–**	604
Over 365 days	**–**	130
	121,306	263,532

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans to finance its business operation of approximately RMB29,798,000 (30 June 2019: nil) and settled outstanding bank loans which amounted to approximately RMB32,357,000 (June 2019: RMB33,742,000). The amounts are due within one year. The effective interest on the Group's variable-rate borrowings are ranging from 2.79% to 4.37% per annum (31 December 2019: Australian Bank Bill Swap Bid Rate plus 2.75%).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF BUSINESS

Since 2020, as China's medical reform continues to deepen, new policies continue to be introduced, new regulations continue to be promulgated and new pilots continue to be implemented, the pharmaceutical industry is undergoing profound changes. Looking back on the overall situation of the industry, although the incremental improvement of the National Medical Security Administration system and the policy of medical insurance cost control continue to bring pressures on drug prices in tender processes, the demand in the industry remains huge and is increasing at a steady pace against the backdrop of consumption upgrade and the acceleration of ageing population, and that the industry is still on a rise. Especially with the global outbreak of 2019 novel coronavirus, the development of the pharmaceutical industry has received great attention from society. The incremental implementation of the "Consistency Evaluation of Generic Drugs" and the dissemination of the "Adjuvant Drug List" are pushing forward structural adjustments of the industry, which also contribute to a stronger polarization of enterprises in the industry.

Specifically for the Group, optimization of the approval process and accreditation of international clinical trial data will help to expand the range of products for the Group's selection. As provinces strengthen the implementation of national policy requirements on medical insurance cost control, the Company will increase the fund utilization rate of medical insurance and compete favorably in the market with the clear efficacy and excellent quality in its drugs and medical equipment. The Group will leverage its advantages in product quality and brand image, and strengthen its academic promotion, so as to seize opportunities to further develop its business amidst a changing and challenging market environment.

In 2020, many regions of the world, including mainland China, where the Company operates its business, were affected by the 2019 novel coronavirus, and the economic activities in these regions have been severely impacted. To prevent the spread of infection in areas where the epidemic is growing, governments of various states promulgated policies of isolation and protection in different degrees to achieve the purpose of restricting population movement gathering. The impact of these polices on the Company are as following: the sales of the products of the Company decreased in the Mainland territory due to a significant decrease in the number of people seeking medical services and hospitals halting admission during the outbreak; the manufacture of products by suppliers of the Company may be affected by the local epidemic situation; and constraints on the capacity of international transport industry increased the difficulty of the Company's procurement. For more specific impact of the influences mentioned above on the operation of the Company, please refer to the analysis as contained in the sections "*Product Development – 1.1 Products Sold via the Provision of Comprehensive Marketing, Promotion and Channel Management Service*" and "*Product Development – 1.2 Products Sold via the Provision of Channel Management Service*" in this announcement. Meanwhile, with the gradual stabilization of the epidemic situation in mainland China, its impact on the Company's operation gradually waned. Should no major outbreak happen in mainland China in the second half of the year, the Company expects to gradually resume normal operation in the second half of the year. In order to fight against the epidemic, the Company vigorously mobilized existing resources, made use of the Company's cooperation network of domestic and foreign distribution built over years, gave full play to the capabilities and advantages of pharmaceutical enterprises in special period, and provided human and material support for the fight against the epidemic. Meanwhile, the Company also discovered new business opportunities during the epidemic period. Taking advantage of the stable supply environment and good product quality in China, the Company vigorously developed overseas markets to export personal protective materials, including masks, protective gloves and protective suits to Europe, the United States, Australia and other regions. Please refer to the analysis as contained in the section "*Product Development – 1.3 Exports of Personal Protective Materials*" in this announcement for specific discussion.

For the Reporting Period, the Group actively organized the market potential and promotion strategies of its products. Although the frequency of academic promotion has been weakened by the epidemic, the Company continued to deepen academic promotion through the use of communication technology, delivering academic information, especially information on the Company's products which relate to epidemic treatment, to clinics as soon as possible.

Apart from the effects of the epidemic on Company's product promotion, as disclosed in the Company's announcement dated 28 December 2017, transitional arrangements relating to the sale of Alcon's pharmaceutical products, which were sold by the Group via the provision of co-promotion and channel management services, have been under implementation for the year ending 31 December 2018. The transition period has concluded. According to the Distribution Agreement signed by the Group and Alcon, since 2019, the Group has been exclusively entitled to the sale of 10 specifications and 8 types of Alcon's pharmaceutical products for 3 years, which has had a relatively greater effect on the overall performance of the Group.

For the Reporting Period, the Group's revenue increased by 0.4% compared to the same period last year to RMB622.5 million. Net profit decreased by 69.1% compared to the same period last year to RMB30.4 million. Revenue generated from Alcon's pharmaceutical products sold via the provision of channel management services decreased by 16.4% compared to the same period last year to RMB126.7 million, representing 20.4% of the Group's revenue for the Reporting Period. Gross profit decreased by 30.0% compared to the same period last year to RMB5.8 million, representing 2.3% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 23.5% compared to the same period last year to RMB309.3 million, representing 49.7% of the Group's revenue for the Reporting Period. Gross profit decreased by 24.8% compared to the same period last year to RMB206.0 million, representing 81.9% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 20.9% compared to the same period last year to RMB78.1 million, representing 12.5% of the Group's revenue for the Reporting Period. Gross profit decreased by 13.5% compared to the same period last year to RMB19.7 million, representing 7.8% of the Group's gross profit for the Reporting Period.

1. Product Development

As at 30 June 2020, the Group had a product portfolio of pharmaceutical products (mostly being prescription medical products) covering ophthalmology, pain management, cardiovascular disease, immunology, gynecology, gastroenterology and other treatment areas; and medical devices covering several medical specialties, including ophthalmology, orthopedics, odontology and wound care products.

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

	For the six months ended 30 June			
Category	**2020** ***RMB'000*** **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2019 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Pharmaceutical Products	**309,296**	**49.7**	404,098	65.1
Medical Devices	**78,092**	**12.5**	64,567	10.4
Gross Profit:				
Pharmaceutical Products	**206,039**	**81.9**	273,967	89.8
Medical Devices	**19,710**	**7.8**	22,776	7.5

During the Reporting Period, as a result of various factors, such as continuous implementation of medical insurance cost control by provinces, the increasingly stringent management of drug's clinical pathway and the control of the percentage of drug sales in total revenue of public medical institutions, although drug price reduction in tender processes and drug consumption limitations in medical institutions have continued, the trend towards structural differentiation for clinical use of drugs was more obvious. The Group adopted a sensible promotion strategy, highlighting the products' superior quality and clear clinical effectiveness, resulting in the Group securing a stable market position for its products. However, meanwhile, due to the impacts of restrictions on medical service and isolation measures, especially the observable decrease in the number of people seeking medical treatment during the period from January to March 2020, the products sold by the Company in the mainland China territory decreased compared to the same period of 2019. During the Reporting Period, revenue generated from pharmaceutical products sold via the Provision of Comprehensive Market, Promotion and Channel Management Services decreased by 23.5% compared to the same period last year to RMB309.3 million, representing 49.7% of the Group's revenue for the Reporting Period. Gross profit decreased by 24.8% compared to the same period last year to RMB206.0 million, representing 81.9% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB86.3 million, representing a decrease of 0.3% compared to the same period last year. The Company effectively increased product coverage of market gaps through accelerating its coverage on primary medical institutions and furthering the penetration of its sales channels to more community hospitals, small medical institutions, clinics and health centers. The Group also proactively organized and participated in various academic conferences, seizing the opportunities for increasing brand publicity, refined its strategy of academic promotion. The Group focused on developing a more convenient pain management service for chronic patients, so as to increase the sales of Difene at each target hospital. With the constant expansion of the coverage of medical institutions, the superior quality of Difene has gained recognition from more doctors and patients, and the brand recognition of the product has also been further strengthened. Difene comes in 10-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sales of the 10-pack specification. Benefiting from the Group's efforts and planning over the years, 20-pack specification achieved an increasing contribution to the Group's revenue. During the Reporting Period, due to the closures of community hospitals and clinics, the sales of Difene decreased compared to the same period last year. Meanwhile, Defene is the sole dosage product of its type in the market and was admitted into the Catalogue of Reference Preparations for Chemical Generic Drugs No.22 issued in June 2019. Through increased marketing activities, such as education programs for doctors and patients on the product, the Group will further expand the market influence of the reference medicinal products, so as to highlight their market competitiveness and consistent good quality. Furthermore, since 2019, the two specifications of Difene successively have won favorably priced bids in more provinces in China, laying a solid foundation for the future development of the product.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB155.3 million, representing a decrease of 9.2% compared to the same period last year. As one of the Group's best-selling products, leveraging the advantages in the product's quality, sound market layout and sensible promotion strategy, Fluxum has maintained rapid growth over the past few years. During the Reporting Period, the Group constantly expanded Fluxum's brand recognition through in-depth exploration on the characteristics of product differentiation, furthering its sales channels, strict implementation of the strategy of professional academic promotion, as well as actively expanding and deepening the network of clinical experts. As an imported low molecular weight heparin product in the new National Drug Reimbursement Catalogue, the Group fully captured this opportunity for market expansion, has entered into a number of new markets through sensible bidding strategies, and continuously increased its market share by closely following and effectively participating in clinical promotions. Furthermore, with more doctors from the relevant departments paying attention to the prevention of venous thrombosis and with more recognition of management system for prevention and treatment of internal thrombosis from medical practitioners, Fluxum not only continued to maintain its brand advantage in the field of traditional surgery, but also extended the scope of its application to other hospital departments, such as internal medicine. During the Reporting Period, due to the closure of certain community hospitals and clinics during the epidemic period, the sales of Fluxum decreased for the first time compared to the same period last year. The Group believes that with its leading market position among similar products and more improved market layout, as well as the increasing recognition of anticoagulation in more hospitals and departments, Fluxum has a solid foundation for long-term growth.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB18.2 million, representing a decrease of 47.3% compared to that of last year. Polimod is the originator of pidotimod. It is a synthetic oral immune stimulant that works by stimulating and regulating cell-mediated immune response, and is applied to patients with immune dysfunction, such as respiratory tract infections, otolaryngology infections, urinary tract infections and gynaecological infections. The decline in revenue during the Reporting Period was mainly due to the impact of COVID-19 pandemic. The number of outpatient visits decreased significantly, among which, pediatrics experienced the sharpest fall of 80%. Therefore, the sales of pediatric respiratory-related pharmaceutical products decreased significantly. Polimod was greatly affected as it is one of the medicines used to treat respiratory tract infections in children. In addition, with the increase in public pandemic prevention measures, for example, rolling out measures such as wearing facial masks, reducing gatherings and conducting remote education, the number of respiratory tract infections in children has dropped significantly. In view of the above situation, the Company has adopted the strategy of broadening sales channels to enhance the coverage of pharmacies, increasing the coverage of pharmaceutical products at grassroots level and in the communities. The Group's rights to market, promote and sell Polimod were extended from eight provinces to the whole country in March 2016, thereby improving the market potential of the product significantly. At the beginning of 2018, as the trial data on their safety and effectiveness were out-dated, all the pidotimod products sold in China were challenged by certain WeMedia, causing confusion to clinicians and patients. Later on, the China Food and Drug Administration (the "**CFDA**") required for the revision of drug instructions of all pidotimod products to identify that it could be used for chronic or recurrent respiratory tract infections and urinary tract infections of children over the age of three years old. The CFDA also required that the clinical trial of effectiveness for pidotimod products should be completed within three years. This event has a profound effect on the sales in certain areas, especially in first-tier and second-tier cities of the PRC which were widely influenced by WeMedia, and the negative impact of this incident continues. In response, the Group has taken a number of measures, such as inviting medical experts from the product's supplier to explain in detail the mechanism and proof of evidence-based medicine of Polimod in China, as well as cooperating with marketing partners in delivering product information to clinicians in a professional manner, in order to further sales channels and significantly develop the primary market. Through a series of measures, the Group is trying to eliminate the negative impact of this incident as far as possible. Moreover, the supplier of the product has reported the plan of clinical trial for the product's effectiveness to the CFDA, and have since commenced such trials immediately following the CFDA's approval in February 2019. At present, the trial has entered the phase of test subject recruitment. Based on thousands of clinical research data of Polimod before and after it was launched in the market, the Group firmly believes that with the advancement of clinical effectiveness trial, Polimod will eliminate the concerns of clinicians and patients with scientific data and return to the track of rapid development.

The other products of the drugs business segment of the Group continue the good development trend of last year and has achieved further development. For the Reporting Period, due to the impact of the pandemic on the number of people seeking medical attention, the Group's revenue generated from sales of these products was RMB49.5 million, representing a decrease of 55.8% compared to that of last year. Specifically, the Group's cardiovascular product Neoton, as the sole imported originator of creatine phosphate sodium for injection, seizing the opportunity of the new round of tender processes in various provinces in China and sensible bidding strategies, successfully entered a number of important new markets. In July 2019, the "National Catalog of the First Batch of Drugs under Close Monitoring of Rational Drug Use (for Chemical Medicines and Biological Products)" was published on the official website of the National Health Commission. Among them, 20 drug products, such as creatine phosphate were included in the close monitoring catalog, and were all removed from the national medical insurance catalog. The clinical use of creatine phosphate has been substantially restricted under the influence of the policy, resulting in a significant decline in the overall sales. So, the revenue of Neoton during the Reporting Period represented a decrease of 61.0% compared to that at last year, which is observably lower than similar products and the market share increased slightly. Through the international academic conference platform, the Group will continuously endeavor to promote clinicians' awareness of Neoton's therapeutic status in the field of myocardial protection, particularly in the field of myocardial damage. With the establishment of the national close monitoring and rational drug use management system and the strengthening of the management of clinical application of products in the catalog, the overall market size of creatine phosphate in the close monitoring catalog will further decline, but the Group believes that, through such measures as leveraging the international academic status of Neoton and constantly organizing academic and promotional activities in respect of the product, focusing on the field of cardiac therapy and promoting the popularization of reasonable dosage on clinical application, the Group may strengthen the recognition of the products among doctors and patients and increase its market share. During the Reporting Period, Wuhan Leishenshan Hospital (武漢雷神山醫院) and Wuhan Mobile Cabin Hospital (武漢方艙醫院) made purchases of Neoton respectively. The Group's gynecological product Macmiror Complex lays a solid ground for the academic promotion of the product. The Group strengthened its marketing and promotion activities targeted at hospitals and departments covered by its sales network, improved the product's coverage of hospitals by furthering its sales channels and endeavored to grow its share in the gynecology therapeutic market. In addition, the Group has stopped purchasing gynecological products Macmiror due to the closure of production announced by the manufacturer in 2019. Given the competitive pharmaceutical market and constant changes of policies, the Group will take full advantage of the competitive edge and market development opportunities of these products, so as to continuously increase their contribution to the Group's revenue.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 20.9% compared to the same period last year to RMB78.1 million, representing 12.5% of the Group's revenue for the Reporting Period. Gross profit decreased by 13.5% compared to the same period last year to RMB19.7 million, representing 7.8% of the Group's gross profit for the Reporting Period. The Group's overall performance of the business segment of medical devices was still affected by the factors such as the decrease in bidding prices of some medical device consumables and market competition. However, based on the features of its products, the Group organized its promotion strategy carefully, and accelerated the marketing campaigns of products launched for a shorter time, so as to lay the foundation for the future business development of medical device sector. Due to the closure of oral and ophthalmology departments in certain hospitals, the Company's medical device business sales have witnessed a relatively bigger impact during the Reporting Period.

1.2 Products Sold via the Provision of Channel Management Services

	For the six months ended 30 June			
Category	**2020** ***RMB'000*** **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2019 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**126,693**	**20.4**	151,597	24.4
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**5,818**	**2.3**	8,308	2.7

For the Reporting Period, the Group's revenue generated from this segment decreased by 16.4% compared to the same period last year to RMB126.7 million, representing 20.4% of the Group's revenue for the Reporting Period. Gross profit decreased by 30.0% compared to the same period last year to RMB5.8 million, representing 2.3% of the Group's gross profit for the Reporting Period. Due to the closure of ophthalmic clinics and a decrease in the number of people seeking medical attention, the sales of this business segment decreased during the Reporting Period.

1.3 Exports of Personal Protective Materials

Category	**2020** *RMB'000* (unaudited)	**For the six months ended 30 June** Percentage of the Group's Total Revenue/ Gross Profit *(%)*	2019 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Personal protective materials	**108,414**	**17.4**	–	–
Gross Profit:				
Personal protective materials	**20,109**	**8.0**	–	–

During the Reporting Period, due to the global outbreak of 2019 novel coronavirus, there has been a great demand for epidemic prevention materials across the global. Focusing on the market trends, the Company gathered its human and material resources during the epidemic period to develop material export business in order to actively cooperate with the globe action against the epidemic. As mentioned in the announcement of the Company dated 4 June 2020, the Novel Coronavirus (SARS-CoV-2) IgG/IgM Combined Antibody Test Kit (Fluorescence Immunochromatography Method) produced by Shenzhen Microprofit Technology Ltd. (深圳邁科龍技術有限公司), of which the Company has obtained the right of exclusive promotion and distribution, is in the process of obtaining Pre-Emergency Use Authorization. Apart from related business sales situation as disclosed by the Company through published announcements, the products of the Company are currently mainly exported to Europe, the United States, Japan, Australia and other regions. During the Reporting Period, the Group's revenue generated therefrom was RMB108.4 million, representing 17.4% of the Group's revenue for the Reporting Period. Gross profit was RMB20.1 million, representing 8.0% of the Group's gross profit for the Reporting Period. The Company will continue to evaluate the development of the global epidemic and reasonably allocate resources to continuously seek out new sales opportunities for exporting related products. During the epidemic, the Company will continue to organize its human and material resources to develop related businesses and actively assist people in the epidemic areas to tide over the difficulties.

1.4 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to 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 will sustain the Group's long-term growth. When selecting prospective product candidates, the Group considers factors, such as clinical effectiveness, competitive environment, registration and regulatory regime and reputation of suppliers.

The Group is currently preparing for or making applications with the CFDA regarding several products. Specifically, the bioequivalence study for Mirtazapine Orodispersible Tablets (produced by Ehypharm of France, mainly used for the treatment of depression) has been completed successfully and IDL (Imported Drug License) filing for this drug is under preparation. The Group is also currently preparing for the clinical trial of DRL Night Rigid Gas Permeable Contact Orthokeratology-Lens (produced by Precilens of France, used for temporary version correction). Meanwhile, at the end of 2019, the Group acquired the distribution agency rights for a Urofollitropin product for injection manufactured by IBSA Institut S.A., which has been re-registered and approved. Such products are expected to reach the market in the second half of 2020.

In accordance with the requirement of "Reform Opinions on Deepening the Review and Approval System and Encouraging the Innovation of Medical Products" issued by General Office of the State Council, several reform measures in respect of Chinese pharmaceuticals and medical devices approval policies were push forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launched process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

2. Marketing Network Development

As the sole importer of overseas medical products serviced by the Company into China, the Group is considered as the manufacturer of these imported medical products under the "Two-Invoice System". The Group's business system has been optimized and improved to adapt to the policy "Two-Invoice System" as implemented in 2018. During the Reporting Period, the Group has continually refined the network of distributors, and consolidated product distribution channels to meet the requirements of "Two-Invoice System". Meanwhile, it also helps to enhance the Group's operational efficiency and prevent operational risk.

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

During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and conduct products' promotion and sales work. In the environment of ever-changing policies and intense market competition within the pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responsiveness, as well as effective and professional product promotion activities. During the Reporting Period, with the more attention paid by the Group to the academic training of the in-house marketing teams, the Group strengthened the depth of the academic promotion activities involved by the in-house marketing teams, so as to raise the core driving force for the product promotion. According to the market situation, the Group has also increased its efforts in optimizing the network structure of the third-party promotion partners, and improved the understanding and knowledge for the products of the third-party promotion partners, including providing further large-scale and regular trainings, and assisting them in providing doctors with clinical solutions related to the products. Through close collaboration between in-house marketing teams and third-party promotion partners, the Group shared pharmaceutical policy and market information all over the country, and improved the communication mechanism and platform with third-party promotion partners so as to improve the operation efficiency and continuously drive the Group's product development. During the Reporting Period, the development of the Group's marketing network led to improvement to its market coverage. For instance, the number of hospitals and medical institutions using Difene has increased by over 1,700, and the number of hospitals using Fluxum has increased by over 280. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's operation.

3. Equity Instruments and Financial Assets

Save for the equity investment in Paragon Care Limited ("**Paragon**") as disclosed herein, the Group did not have any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2019.

3.1 Equity Investment

3.1.1 Investment in NovaBay

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

The Group has made several rounds of investments in NovaBay since 2013. As at 30 June 2020, the Group held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 14.97% of its equity interest, and did not hold any NovaBay warrants.

For the six months ended 30 June 2020, the Company recognized a reversal of impairment loss of RMB21.2 million in relation to the Group's investment in NovaBay, due to the increase of share price. For further information of the business and financial performance and prospects of NovaBay, please refer to the 2020 quarterly reports of NovaBay published on its website.

3.1.2 Investment in Paragon

Paragon is a company incorporated in Victoria, Australia with limited liability whose shares are listed on the Australian Securities Exchange (stock code: PGC). Paragon, through its subsidiaries, is principally engaged in the supply of durable medical equipment, medical devices and consumable medical products providing end to end solutions for the acute, aged and primary care markets throughout Australia and New Zealand.

As at 30 June 2020, the Group held a total of 59,730,378 ordinary shares of Paragon, representing 17.8% of the total issued shares of Paragon. The Company first invested in Paragon in 2018 and the accumulated total investment cost as of 30 June 2020 was RMB239.3 million, of which the fair value of RMB55.2 million was recognized, accounting for 4.4% of the Company's total assets as at 30 June 2020. During the Reporting Period, the Group recorded unrealized loss of RMB65.6 million of its investment in Paragon. During the six months ended 30 June 2020, Paragon recorded a drop of approximately 56.82% in its quoted share prices on the Australian

Securities Exchange. For further details of the performance of the stock price and business operation of Paragon, please refer to the disclosures and financial reports of Paragon published on the Australian Securities Exchange and its company website.

In respect of investment strategy, the Company considers that the investment in Paragon is in line with the principal business of the Group, enabling the Group to step up its presence in Australia and New Zealand, and forms the basis for further cooperation between the Group and Paragon. As such, this investment is not intended to be held for trading, and is, instead, held for long-term strategic purpose. In particular, the Group intends to explore opportunities in the sales of certain of the Group's products in Australia and New Zealand and the distribution of the certain products of Paragon or other suppliers (through the business network of Paragon) in the PRC.

3.1.3 Investment in Pioneer Huimei

In June 2018, the Group, through a wholly-owned subsidiary, Naqu Pioneer Pharmaceutical Co., Ltd. ("**Naqu Pioneer**") established Sichuan Pioneer Huimei Biotechnology Co., Ltd. ("**Pioneer Huimei**") with Chengdu Huimei Biotechnology Co., Ltd.. Naqu Pioneer contributed RMB10.5 million to the registered capital of Pioneer Huimei, representing 70% of its entire equity interest.

Pioneer Huimei is committed to the development of biotechnology products and technologies, primarily focusing on medical aesthetics and health industry. With the Internet big data and artificial intelligence technology, it has been able to connect online and offline channels in order to provide consumers with integrated services. Pioneer Huimei has reached to a cooperation agreement of clinical observation with West China Hospital of Sichuan University in June 2019, which is aimed at researching on the clinical efficiency of Pioneer Huimei's hair growth products. The Group believes that the investment in Pioneer Huimei is a good attempt to make full use of modern technology and Internet platforms, and is conducive to further enriching the Group's products and innovation of sales channels.

3.1.4 Investment in DMAX Co

In January 2020, the Group, via Pioneer Pharma (Hong Kong) Co., Limited, a subsidiary of the Company, made an investment of US$3,000,000 in DMAX Co., Ltd. ("**DMAX Co**"), a company established in the Republic of Korea ("**Korea**").

Pursuant to the subscription agreement entered into by the parties, DMAX Co shall issue and Pioneer Pharma (Hong Kong) Co., Limited shall subscribe for 8,906 shares in the capital of DMAX Co for a consideration of US$3,000,000. Upon the completion of the issuance, the Company, through its subsidiary, held 25% of the issued share capital of DMAX Co, and has the right to appoint a person as a director of DMAX Co.

DMAX Co is a reputable manufacturer of zirconia products in Korea and is primarily engaged in producing zirconia-related dental products, including veneers, crowns and implants, etc. Since the Company's acting as the exclusive agent of the products of DMAX Co in China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan) from 2018, both parties have together dedicated themselves to the promotion of the products of DMAX Co in China. The zirconia-related dental products of DMAX Co have found popularity with its unique medical aesthetics techniques since the entry into the China market. The investment this time will further facilitate both parties to deepen cooperation and consolidate partnership in exploration of the market share of the products of DMAX Co in China.

3.1.5 Investment in Shanghai Yuhan fund (limited partnership)

As of 30 June 2020, the Group's investment in Shanghai Yuhan fund (limited partnership) (上海譽瀚股權投資基金合夥企業(有限合夥), the "**Fund**") was recognized as equity instruments at fair value through other comprehensive income ("**FVTOCI**"), representing an amount of RMB25.8 million or approximately 2.07% of the total assets of the Group as of 30 June 2020. The Fund, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2020, the Group held 8% of the equity interest of the Fund. The Fund mainly engages in the investment in unlisted private entities and structured bank deposits. During the six months ended 30 June 2020, the Group recorded an unrealized loss of RMB4.5 million of its investment in the Fund, and has not received entitlement distribution therefrom. The Group's strategy of this investment is for long-term holding. The Group has no intention of realizing its interests in the Fund or speculating on its market performance in any short run, and intends to lever on its role in the Fund for exploring and ascertaining targets of growth potential in the pharmaceutical industry for business partnering and/or investment opportunities, for development goals in the long run.

3.2 Financial Investment in Wuxing Huixin Wealth Management Trust

During the Reporting Period, the Group's investment in Wuxing Huixin Wealth Management Trust (五行匯誠資產配置集合資金信託, the "**Trust**") was recognised as financial assets at fair value through profit or loss ("**FVTPL**"). The Trust, incorporated in the PRC, specializes in investing in fixed income products. As at 31 December 2019, the Group was interested in RMB32.0 million or approximately 0.7% of the Trust's total principal of RMB4,570.0 million. The principal of Group was not guaranteed by the Trust. The expected return of the Trust is 7.05% per annum. The Group redeemed the investment on 9 April 2020 with a redemption amount of RMB32.1 million.

3.3 Investment in Rongchang Manufacturing Base

In 2019, the Group, through a wholly-owned subsidiary, Chongqing Qianfeng Pharmaceutical Co., Ltd. (重慶乾鋒制藥有限公司, "**Chongqing Qianfeng**"), obtained the state-owned construction land use right of land numbered as 2019-RC-1–03 transferred from Rongchang District Government of Chongqing Municipality ("**Rongchang District Government**"). The land covers a total area of 38,972 m^2 and has a transfer price of RMB5,998,800. In March 2019, Chongqing Qianfeng entered into a state-owned construction land use right transfer contract with the local government and obtained the state-owned construction land use right of the land.

In June 2019, the foundation-stone laying ceremony of the Rongchang manufacturing base ("**Rongchang Manufacturing Base**") was held by Chongqing Qianfeng, and according to the investment agreement between the Group and Rongchang Government, the planned building area of this project shall be over 40,000 m^2.

This project is a significant strategic plan of the Group, which will direct the Group's transformation from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development, production and sales. Through such series of measures, the Group hopes to respond to the national policy of industry development by turning Rongchang Manufacturing Base into an open technology platform, introducing new technologies and new products, and realizing the localization of high-quality imported products, and give full play to the comprehensive advantage of manufacturing and sales integration of the Group, resulting in the ongoing improvement of the market competitiveness and revenue of the Group.

4. Future and Outlook

With the deepening of China's medical reform, the pharmaceutical industry is gradually forming a new ecosystem. As a result of profound changes having occurred in different areas such as traditional research and development, review and approval, as well as pricing systems, the pharmaceutical market is facing a significant structural adjustment. In general, the PRC pharmaceutical industry is trending towards diversification in the long run. There will be increasing development opportunities for products satisfying therapeutic needs and with clear clinical value. The Group will continuously focus on introducing and developing new products, enhancing marketing and promotion capabilities, expanding market coverage through win-win cooperation, enriching the industrial chain through mergers and acquisitions (if any), responding proactively amidst the environment full of challenges and changes, and forging vigorously ahead, so as to achieve the new blueprint of the Group's future development.

FINANCIAL REVIEW

Revenue

The Group's revenue in the Reporting Period was RMB622.5 million, representing a 0.4% increase from RMB620.3 million for the six months ended 30 June 2019. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB309.3 million, representing a 23.5% decrease from RMB404.1 million for the six months ended 30 June 2019, primarily due to the decrease in sales due to suspension of medical service in hospitals and fewer people seeking medical service under the COVID-19 epidemic. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB78.1 million, representing a 20.9% increase from RMB64.6 million for the six months ended 30 June 2019, primarily due to some products achieved better growth during the Reporting Period. Revenue generated from products sold via the provision of channel management services in the Reporting Period was RMB126.7 million, representing a 16.4% decrease from RMB151.6 million for the six months ended 30 June 2019, primarily due to the decrease in sales due to suspension of medical service in hospitals and fewer people seeking medical service under the COVID-19 epidemic.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB370.8 million, representing a 17.6% increase from RMB315.2 million for the six months ended 30 June 2019, primarily due to increasing the sales of personal protective which results in an increase in cost during the Reporting Period. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB103.3 million, representing a 20.6% decrease from RMB130.1 million for the six months ended 30 June 2019. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB58.4 million, representing a 39.7% increase from RMB41.8 million for the six months ended 30 June 2019. Cost of sales in products sold via the provision of channel management services in the Reporting Period was RMB120.9 million, representing a 15.6% decrease from RMB143.3 million for the six months ended 30 June 2019.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB251.7 million, representing a 17.5% decrease from RMB305.1 million for the six months ended 30 June 2019. The Group's average gross profit margin in the Reporting Period was 40.4%, representing a decrease from 49.2% for the six months ended 30 June 2019, the Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 66.6%, representing a decrease from 67.8% for the six months ended 30 June 2019, primarily due to the higher sales proportion of some products with lower gross profit margins during the Reporting Period. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 25.2%, representing an decrease from 35.3% for the six months ended 30 June 2019, primarily due to the higher sales proportion of some products with lower gross profit margins during the Reporting Period. The Group's gross profit margin for products sold via the provision channel management services in the Reporting Period was 4.6%, representing a decrease from 5.5% for the six months ended 30 June 2019.

Other income

The Group's other income in the Reporting Period was RMB11.6 million, representing a 39.7% decrease from RMB19.2 million for the six months ended 30 June 2019, primarily due to the reduction in service income during the Reporting Period.

Distribution and selling expenses

The Group's distribution and selling expenses in the Reporting Period were RMB182.8 million, representing a 12.2% decrease from RMB208.1 million for the six months ended 30 June 2019, primarily due to the reduction of some marketing activities and expenses during the Reporting Period, as affected by the epidemic. Distribution and selling expenses in the Reporting Period were 29.4% of the revenue, representing a decrease from 33.6% for the six months ended 30 June 2019.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB31.3 million, representing a 17.5% decrease from RMB37.9 million for the six months ended 30 June 2019, primarily due to the decrease of office expenses and travel expenses of administrative personnel during the Reporting Period, as affected by the epidemic. Administrative expenses in the Reporting Period were 5.0% of the revenue, representing a decrease from 6.1% for the six months ended 30 June 2019.

Finance costs

The Group's finance costs in the Reporting Period were RMB0.6 million, representing a 75.0% decrease from RMB2.5 million for the six months ended 30 June 2019, primarily due to part of the bank loans was settled during the Reporting Period, resulting in a decline in interest expenses.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB29.7 million, representing a 448.1% increase from RMB5.4 million for the six months ended 30 June 2019. The Group's effective income tax rate for the six months ended 30 June 2019 and the Reporting Period was 5.2% and 49.5%, respectively (effective income tax rate excluding dividend tax: 27.9%), mainly due to the preferential income tax rate of 9% that Naqu Pioneer, a subsidiary, was entitled to has expired during the Reporting Period, as well as the income tax withheld by the domestic subsidiary for dividend distribution (2019: Nil). Since the beginning of 2019, the Group has been conducting business primarily through Chongqing Pioneer Pharma Co., Ltd (重慶先鋒醫藥有限公司) and Naqu Area Pioneer Pharma Co., Ltd (那曲地區先鋒醫藥有限公司), and Chongqing Pioneer Pharma Co., Ltd was subject to Enterprise Income Tax rate of 25%.

Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB30.4 million, representing a 69.1% decrease from RMB98.2 million for the six months ended 30 June 2019, mainly due to the relatively lower gross profit margin of personal protective materials, a new business of the Company, which was insufficient to make up for the decrease in gross profit loss of pharmaceutical products due to COVID-19. Meanwhile, the income tax expense during the Reporting Period increased by RMB24.3 million as compared to the same period last year and the reversal of impairment (loss) on interest in associates also decreased by RMB26.7 million compared to the same period last year. The Group's net profit margin in the Reporting Period was 4.9%, representing a decrease from 15.8% for the six months ended 30 June 2019.

Liquidity and capital resources

In the past, the Group's working capital and other capital needs were mainly funded by net cash flow from its operations, with supplementary financing from banks. The Group's cash and cash equivalents as at 30 June 2020 were RMB165.7 million, representing a 38.7% decrease from RMB270.3 million as at 31 December 2019, primarily due to the payment of dividends during the Reporting Period.

Inventories

The Group's inventory balance as at 30 June 2020 was RMB334.5 million, representing a 15.0% decrease from RMB393.4 million as at 31 December 2019, primarily due to enhancement of inventory management and a decrease in the inventory level of Alcon's products resulting from the decrease of sales during the Reporting Period.

Trade and other receivables

The Group's trade and other receivables as at 30 June 2020 were RMB348.7 million, representing a 6.5% increase from RMB327.4 million as at 31 December 2019. Meanwhile, the trade receivables turnover as of 30 June 2020 was 81.4 days, representing an increase from 77.7 days as at 31 December 2019, primarily due to the Company temporarily extended the credit days for some customers as affected by the COVID-19 epidemic.

Trade and other payables

The Group's trade and other payables as at 30 June 2020 were RMB155.1 million, representing a 49.6% decrease from RMB307.7 million as at 31 December 2019. The Group's trade payables turnover as at 30 June 2020 was 95.0 days, representing a decrease from 109.2 days as at 31 December 2019, primarily due to the higher proportion of product purchases with relatively short payment cycles during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB44.4 million as at 30 June 2020 as compared to RMB48.8 million as at 31 December 2019. On 30 June 2020, the effective interest rate of the Group's bank borrowings ranged from 2.8% to 4.4%. The bank borrowings were mainly denominated in AUD. As at 30 June 2020, bank borrowings of AUD3.0 million were secured by pledging of the Group's equity instrument at FVTOCI, as compared to 31 December 2019 during which bank borrowings of AUD20.0 million were secured by the Group's equity instrument at FVTOCI. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 3.6% as of 30 June 2020, as compared to 3.1% as at 31 December 2019.

Indebtedness

The table below summarizes the maturity profile of the Group's non-derivative financial liabilities as at 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 at 30 June 2020			
Bank borrowings	**44,379**	**–**	**44,379**
Trade payables	**121,306**	**–**	**121,306**
As at 31 December 2019			
Bank borrowings	48,843	–	48,843
Trade payables	263,402	130	263,532

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. The sales of the Group are denominated in RMB and the purchases, expenses and foreign investments of the Group are denominated in RMB, HKD, AUD, Euros and USD. At present, the Group has no foreign exchange hedging policy. Notwithstanding the above, the management continuously monitors the Group's foreign exchange risk and will consider hedging significant foreign exchange exposure should the need arise.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 283 employees. For the Reporting Period, staff costs of the Group were RMB27.6 million as compared to RMB29.6 million for the six months ended 30 June 2019. The Group's employee remuneration policy is determined by taking into account factors, such as the remuneration level in the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and employees' performance. The Group conducts performance appraisals once every year for its employees, the results of which are taken into consideration in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service quality. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the Reporting Period.

DIVIDEND

On 3 February 2020, the Group declared a special dividend of HK$0.096 per ordinary share of the Company, amounting to HK$120,976,032 in total to shareholders of the Company (the "**Shareholders**") whose names were on the Company's register of members after market close on 17 February 2020 (2019: Nil). For details, please refer to the announcement of the Company of even date.

The Board has declared an interim dividend of HK$0.071 per ordinary share of Company, amounting to HK$89.5 million for the six months ended 30 June 2020 (2019: Nil). The register of members of the Company will be closed on 25 September 2020 to determine the entitlement of the Shareholders to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 24 September 2020. The interim dividend will be paid on 20 October 2020.

CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2020. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he has complied with the required standard set out in the Model Code of throughout the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2020.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") to recognise the contribution by certain employees including Directors and senior management of the Group, and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group. The Share Award Scheme has a term of ten years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administered by the Board and the trustee of the Share Award Scheme. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015. On 9 October 2015, the Board resolved to grant a total of 25,060,000 awarded shares to 150 selected employees with the award price of HK$5.076 for each awarded share. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Zhang Hong; and one non-executive Director, namely Mr. Wu Mijia.

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

The unaudited interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The interim report of the Company for the six months ended 30 June 2020 will be dispatched to the Shareholders and available on the websites of the Company (http://www.pioneer-pharma.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. LUO Chunyi and Mr. LUK Chi Shing as executive Directors, Mr. WU Mijia and Mr. HUI Lap Keung as non-executive Directors and Mr. ZHANG Hong, Mr. XIAO Guoguang and Mr. WONG Chi Hung, Stanley as independent non-executive Directors.