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CHINA PIONEER PHARMA HOLDINGS LIMITED
中 国 先 锋 医 药 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01345)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 2021 (the "**Reporting Period**") together with comparative figures for the corresponding period in 2020, as follows:

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the six months ended 30 June 2021 was RMB685.8 million, which represents a 10.2% increase compared to RMB622.5 million for the same period last year.

- Gross profit of the Group for the six months ended 30 June 2021 was RMB378.4 million, which represents a 50.3% increase compared to RMB251.7 million for the same period last year.

- Net profit of the Group for the six months ended 30 June 2021 was RMB68.1 million, which represents a 124.0% increase compared to RMB30.4 million for the same period last year.

- Basic earnings per share of the Company was RMB0.06 for the six months ended 30 June 2021, which represents a 100.0% increase compared to RMB0.03 for the same period last year.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Notes	For the six months ended 30 June 2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	3	**685,833**	622,495
Cost of sales		**(307,478)**	(370,819)
Gross profit		**378,355**	251,676
Other income	4	**10,186**	11,569
Other gains and losses	5	**(5,560)**	24,801
Impairment losses under expected credit loss model, net of reversal	6	**(1,445)**	(6,018)
Distribution and selling expenses		**(244,495)**	(182,832)
Administrative expenses		**(40,224)**	(31,306)
Finance costs		**(481)**	(616)
Share of profit (loss) of associates		**1,677**	(7,177)
Profit before tax		**98,013**	60,097
Income tax expense	7	**(29,872)**	(29,744)
Profit for the period	8	**68,141**	30,353
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
– Fair value gains (losses) on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**12,000**	(70,133)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**6,196**	(2,470)
– Share of exchange difference of associates		**(3,949)**	590
Other comprehensive income (expense) for the period		**14,247**	(72,013)
Total comprehensive income (expense) for the period		**82,388**	(41,660)
Profit (loss) for the period attributable to:			
Owners of the Company		**68,888**	30,767
Non-controlling interests		**(747)**	(414)
		68,141	30,353
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**83,135**	(41,246)
Non-controlling interests		**(747)**	(414)
		82,388	(41,660)
		RMB yuan	*RMB yuan*
Earnings per share			
Basic	10	**0.06**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021

	Notes	**As at 30 June 2021** *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Non-current Assets			
Property, plant and equipment		**84,964**	73,452
Right-of-use assets		**7,299**	7,393
Intangible assets		**46,020**	47,031
Interests in associates	*11*	**103,246**	36,213
Equity instruments at FVTOCI	*12*	**62,300**	101,530
Deposits paid for acquisition of property, plant and equipment		**4,262**	5,235
Deposits paid for acquisition of intangible assets		**10,926**	10,926
Deferred tax assets		**12,743**	19,524
		331,760	301,304
Current Assets			
Inventories		**217,135**	448,730
Finance lease receivables		**–**	3,322
Trade and other receivables	*13*	**308,796**	367,686
Amounts due from related parties		**14,103**	43,073
Financial assets at fair value through profit or loss ("**FVTPL**")	*14*	**130,000**	139,600
Tax recoverable		**–**	1,644
Pledged bank deposits		**340**	8,074
Bank balances and cash		**162,547**	115,009
		832,921	1,127,138
Current Liabilities			
Trade and other payables	*15*	**102,779**	430,361
Tax liabilities		**14,585**	30,181
Bank borrowings	*16*	**89,072**	15,097
Contract liabilities		**8,919**	8,817
Lease liabilities		**–**	7
		215,355	484,463
Net Current Assets		**617,566**	642,675
Total Assets less Current Liabilities		**949,326**	943,979

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Capital and Reserves		
Share capital	**77,566**	77,566
Reserves	**835,412**	831,868
Equity attributable to owners of the Company	**912,978**	909,434
Non-controlling interests	**4,084**	2,281
Total Equity	**917,062**	911,715
Non-current liabilities		
Deferred tax liabilities	**12,853**	12,853
Deferred income	**19,411**	19,411
	32,264	32,264
	949,326	943,979

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 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 Company and its subsidiaries (collectively referred to as the "**Group**") are the marketing, promotion and sale of pharmaceutical products, medical devices and sale 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.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

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 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim 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.

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 Pharmaceuticals Ltd. ("**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" of which the products are meant to be sold in the PRC, the Group's personal protective materials products are focusing on the export market ("**Sales of personal protective materials**"). Sales of personal protective materials include masks, protective gloves and protective suits, which are mainly exported to Europe, the United States and Australia.

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 revenue 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 2021 (Unaudited)

	Sales 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	**–**	**572,551**	**113,282**	**685,833**
Segment result	**(4,486)**	**374,986**	**7,855**	**378,355**
Other income				**10,186**
Other gains and losses				**(5,560)**
Impairment losses under expected credit loss model, net of reversal				**(1,445)**
Distribution and selling expenses				**(244,495)**
Administrative expenses				**(40,224)**
Finance costs				**(481)**
Share of profit of associates				**1,677**
Profit before tax				**98,013**

For the six months ended 30 June 2020 (Unaudited)

	Sales 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
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

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of sales		
Sales of pharmaceutical products	**597,884**	435,989
Sales of medical devices	**87,949**	78,092
Sales of personal protective materials	**–**	108,414
	685,833	622,495
Types of major products		
Products sold via the provision of channel management services:		
Alcon	**113,282**	126,693
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**225,511**	155,345
Difene	**100,462**	86,293
Zanldip	**66,381**	–
Neoton	**30,501**	22,943
Polimod	**25,595**	18,161
Macmiror complex and Macmiror	**25,936**	17,781
FLEET Phospho-Soda	**7,824**	5,343
Others	**2,392**	3,430
Pharmaceutical products	**484,602**	309,296
Medical equipments and supplies	**87,949**	78,092
	572,551	387,388
Sales of personal protective materials	**–**	108,414
	685,833	622,495

Geographical information

About 100% (2020: about 83%) of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC). During the six months ended 30 June 2020, among the exports of personal protective materials, the Group had exported personal protective materials to Europe, the United States and Australia amounted to RMB59,870,000, RMB44,221,000 and RMB4,323,000, respectively.

4. OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**5,094**	7,949
Interest on bank deposits	**400**	384
Interest income on finance leases	**186**	724
Interest on amount due from a related party	**884**	1,708
Dividend received from an equity instrument at FVTOCI	**2,000**	–
Interest on loan to an associate	**–**	633
Others	**1,622**	171
	10,186	11,569

Note: The amount represented cash received regarding 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange (losses) gains	**(9,805)**	3,354
Loss on disposal of intangible assets	**–**	(2,890)
Gain on fair value change of financial assets at FVTPL	**2,570**	3,072
Reversal of impairment loss on interest in an associate *(Note 11)*	**3,308**	21,189
Impairment loss on interest in an associate *(Note 11)*	**–**	(4,000)
(Loss) gain on dilution on interest in an associate *(Note 11)*	**(1,633)**	4,076
	(5,560)	24,801

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

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment loss recognised in respects of		
– trade receivables	**1,653**	4,680
– finance lease receivables	**(208)**	1,338
	1,445	6,018

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 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**25,601**	17,977
PRC withholding tax on dividends distributed by subsidiaries	**–**	13,000
	25,601	30,977
Underprovision (overprovision) in prior period		
PRC Enterprise Income Tax	**104**	2,111
Hong Kong Profits Tax	**(2,614)**	–
	(2,510)	2,111
Deferred tax		
Current period	**6,781**	(3,344)
	29,872	29,744

8. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	**1,427**	1,649
Other staff's retirement benefits scheme contributions	**4,704**	2,301
Other staff costs	**32,123**	23,682
Total staff costs	**38,254**	27,632
Write-down of inventories	**9,487**	10,697
Depreciation of right-of-use assets	**94**	148
Depreciation for property, plant and equipment	**2,640**	2,877
Amortisation of intangible assets	**3,561**	175

9. DIVIDENDS

During the current interim period, a final dividend of Hong Kong dollars ("**HKD**") 0.075 (equivalent to RMB0.063) per share in respect of the year ended 31 December 2020 (2020: 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 of 31 December 2019) were declared to shareholders of the Company. The aggregate amount of the dividends declared and paid in the interim period amounted to RMB74,288,000 (2020: RMB105,784,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.056 (equivalent to RMB0.046) per share amounting to HKD70,569,000 (equivalent to RMB58,573,000) (2020: HKD89,500,000) in aggregate will be paid to shareholders of the Company.

10. 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	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**68,888**	30,767
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,205,435,602**	1,211,669,440

For the six months ended 30 June 2021 and 2020, 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.

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

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 2021	31 December 2020
NovaBay Pharmaceuticals, Inc. ("**NovaBay**") *(Note a)*	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	United States	**11.63%**	12.42%
DMAX Co., Ltd ("**DMAX**")	Incorporated	Ordinary shares	Production zirconia-related dental products	Republic of Korea	**25%**	25%
Paragon Care Limited ("**Paragon**") *(Note b)*	Incorporated	Ordinary shares	Supply of medical equipment, medical devices and consumable medical products	Australia	**17.7%**	17.7%

Notes:

(a) During the six months ended 30 June 2021, NovaBay issued an aggregate of 2,833,000 shares to various investors. A loss on dilution of approximately RMB1,633,000 was recognised in profit or loss. As of 30 June 2021, the Group held a total of 5,188,421 ordinary shares representing approximately 11.63% (31 December 2020: 5,188,421 ordinary shares representing approximately 12.42%) of issued shares of NovaBay. The Group is able to exercise significant influence over NovaBay because it has appointed one director to the board of NovaBay.

(b) Starting from 1 January 2021, the Group has resumed the ability to nominate a director to the board of Paragon. Thus, equity investment in Paragon is considered as an associate of the Group from 1 January 2021 as the Group has significant influence over Paragon. On 27 January 2021, Paragon has appointed Mr. Li as non-executive director of Paragon.

As of 1 January 2021, the Group has re-classified the investment of Paragon of RMB67,630,000 from equity instruments at FVTOCI to interest in associates.

As at 30 June 2021, the shares of Paragon with fair value of RMB65,898,000 has been pledged as security for the bank borrowings of RMB14,522,000.

Indicated by the financial performance of NovaBay and DMAX for the six months ended 30 June 2021, 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 2021 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 RMB3,308,000 is recognised (30 June 2020: RMB21,189,000) for the six months ended 30 June 2021 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, no impairment is recognised for the six months ended 30 June 2021 (30 June 2020: RMB4,000,000 impairment was recognised) in relation to the interests in associates.

12. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**–**	67,630
Unlisted investments:		
– Equity securities A *(Note b)*	**52,300**	33,900
– Equity securities B *(Note c)*	**10,000**	–
	62,300	101,530

Notes:

(a) As of 31 December 2020, the listed equity investment represented 17.7% ordinary shares of an entity listed in Australian Securities Exchange, Paragon. This investment was not held for trading, instead, it was 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 was not considered as an associate of the Group as at 31 December 2020. The directors of the Company had elected to designate this investment in equity instrument at FVTOCI as they believed 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.

Starting from 1 January 2021, the Group has resumed the ability to nominate a director to the board of Paragon and Mr. Li was appointed as a director of Paragon in January 2021. Thus, equity investment in Paragon is considered as an associate of the Group from 1 January 2021 as the Group has significant influence over Paragon.

(b) The balances as of 30 June 2021 and 31 December 2020 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 "**Shanghai Fund**"), which is incorporated in the PRC. The Shanghai Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 30 June 2021, the Shanghai Fund received contributions from shareholders of RMB230 million (31 December 2020: RMB250 million), among which the Group injected RMB26.4 million (31 December 2020: RMB20 million) which accounted for 10% (31 December 2020: 8%) of the equity interest of the Shanghai Fund. The Shanghai 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.

(c) The balances as of 30 June 2021 represent an investment in Jiaxing Yuhan fund (嘉興譽瀚股權投資合夥企業(有限合夥), the "**Jiaxing 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 2021, the Jiaxing Fund received contributions from shareholders of RMB151 million, among which the Group injected RMB10 million which accounted for 6.62% of the equity interest of the Jiaxing Fund. The Jiaxing 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 31 December 2020, the carrying amount of the listed equity investment at FVTOCI of RMB57,086,000 has been pledged as security for the bank borrowings of RMB15,097,000.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
Trade receivables	**293,396**	314,816
Less: Allowance for credit losses	**(33,127)**	(31,474)
	260,269	283,342
Other receivables, prepayments and deposits	**18,647**	23,803
	278,916	307,145
Advance payment to suppliers	**15,325**	19,349
Advance payment to related parties	**4,846**	5,023
Other tax recoverable	**9,709**	36,169
Total trade and other receivables	**308,796**	367,686

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 2021 *RMB'000* **(Unaudited)**	As at 31 December 2020 *RMB'000* (Audited)
0 to 60 days	**147,613**	175,608
61 days to 180 days	**89,243**	87,018
181 days to 1 year	**18,829**	16,930
1 year to 2 years	**4,584**	3,786
	260,269	283,342

As at 30 June 2021, total bills received amounting to RMB50,182,000 (31 December 2020: RMB36,911,000) 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. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2021 *RMB'000*	As at 31 December 2020 *RMB'000*
Unlisted investments:		
– Structured bank deposits *(Note a)*	**115,000**	139,600
– Trust *(Note b)*	**15,000**	–
	130,000	139,600

Notes:

(a) During the six months period ended 30 June 2021, 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 1.56% per annum (31 December 2020: 1.1% to 3.2% per annum), while the total expected return is up to 3.22% to 3.5% per annum (31 December 2020: 3.3% to 4.75% per annum). The contracts are with maturity on or before 7 September 2021 or are redeemable on demand (31 December 2020: on or before 31 March 2021 or are redeemable on demand).

As of 30 June 2021, the carrying amount of financial assets at FVTPL of RMB78,000,000 (31 December 2020: nil) has been pledged as security for the bank borrowings of RMB74,550,000 (31 December 2020: nil).

(b) The balance as of 30 June 2021 represents the investment in 平安財富匯錦債券投資基金3號 (the "**Trust**"), which is incorporated in the PRC. The Trust specialises in investing in fixed income products with fixed annual interest rate of 3.9%.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
Trade payables	**29,877**	360,718
Payroll and welfare payables	**4,282**	3,849
Other tax payables	**10,487**	1,626
Marketing service fee payables	**12,926**	19,529
Deposits received from distributors	**30,584**	26,536
Other payables and accrued charges	**14,623**	18,103
	102,779	430,361

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 2021 *RMB'000* (Unaudited)	As at 31 December 2020 *RMB'000* (Audited)
0 to 90 days	**28,490**	245,778
91 to 180 days	**1,289**	94,280
181 to 365 days	**98**	20,660
	29,877	360,718

16. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans to finance its business operation of approximately RMB74,550,000 (30 June 2020: RMB29,798,000) and no repayment on outstanding bank loans (30 June 2020: RMB32,357,000). The balances at 30 June 2021 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 2020: 2.71% to 3.55% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

Since 2021, as China's medical reform has continued to deepen, new policies continued to be introduced, new regulations continued to be promulgated and new pilots continued to be implemented, the pharmaceutical industry has been undergoing profound changes. Looking back on the overall layout of the industry, although the gradual improvement of the National Medical Security Administration system and the policy of medical insurance cost control continued to bring pressures on drug prices, the demand in the industry has remained huge and has been 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. In particular, with the global outbreak of COVID-19, the development of the pharmaceutical industry has received great attention from society and gained more opportunities for development.

Specifically for the Group, optimization of the approval process and the policy of accreditation of international clinical trial data, will help to expand the range of products for the Group's selection in long term. As provinces strengthen 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 environment.

In 2020, many parts of the world, including Mainland China, where the Company operates its business, were affected by COVID-19, and economic activities in these regions have been severely impacted. However, since 2021, with the effective implementation of epidemic control measures in Mainland China and the recovery of economic activities, various businesses of the Group have recovered to varying degrees. For the Reporting Period, the Company took full advantage of the normalization of economic activity, actively sorted out the market potential and promotion direction of its products, continuously increased the frequency and depth of academic promotion activities and the sales performance of the main products has made a stable recovery or improvement.

As disclosed in the Company's announcement dated 28 December 2017, transitional arrangements relating to the sales of Alcon's pharmaceutical products, which were sold by the Group via the provision of co-promotion and channel management services, were under implementation for the year ending 31 December 2018. According to the Distribution Agreement signed by the Group and Alcon, since 2019, the Group is exclusively entitled to the sale of 8 types and 10 specifications of Alcon's pharmaceutical products for 3 years, which has had a relatively greater effect on the overall performance of the Group. However, with the steady development of the Group's other businesses, the impact showed a decreasing trend year by year.

For the Reporting Period, the Group's revenue increased by 10.2% compared to the same period last year to RMB685.8 million. Net profit increased by 124.0% compared to the same period last year to RMB68.1 million. Revenue generated from Alcon's pharmaceutical products sold via the provision of channel management services decreased by 10.6% compared to the same period last year to RMB113.3 million, representing 16.5% of the Group's revenue for the Reporting Period. Gross profit increased by 35.0% compared to the same period last year to RMB7.9 million, representing 2.1% 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 increased by 56.7% compared to the same period last year to RMB484.6 million, representing 70.7% of the Group's revenue for the Reporting Period. Gross profit increased by 59.8% compared to the same period last year to RMB329.2 million, representing 87.0% 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 12.6% compared to the same period last year to RMB87.9 million, representing 12.8% of the Group's revenue for the Reporting Period. Gross profit increased by 132.3% compared to the same period last year to RMB45.8 million, representing 12.1% of the Group's gross profit for the Reporting Period.

1. Product Development

As at 30 June 2021, 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	**2021** ***RMB'000*** **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2020 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Pharmaceutical Products	**484,602**	**70.7**	309,296	49.7
Medical Devices	**87,949**	**12.8**	78,092	12.5
Gross Profit:				
Pharmaceutical Products	**329,205**	**87.0**	206,039	81.9
Medical Devices	**45,781**	**12.1**	19,710	7.8

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 remained, 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. During the Reporting Period, revenue generated from this segment increased by 56.7% compared to the same period last year to RMB484.6 million, representing 70.7% of the Group's revenue for the Reporting Period. Gross profit increased by 59.8% compared to the same period last year to RMB329.2 million, representing 87.0% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB100.5 million, representing an increase of 16.4% 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, 14-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sales of the 10-pack specification. The newly launched 14-pack is expected to replace the 10-pack as the new growth point of the market sales of Difene. Compared with the 10-pack, the 14-pack has the advantages of more consistent with the prescription habits of clinicians and more scientific from the perspective of treatment cycle. Benefiting from the Group's efforts and planning, as well as the official execution of new tender results in more provinces, 14-pack specification will also achieve an increasing contribution to the Group's revenue. During the Reporting Period, due to the effective control of COVID-19 in Mainland China, the recovery of social and economic activities and the comprehensive sales distribution in the first half of the year, the sales of Difene increased significantly compared to the same period last year. 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.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB225.5 million, representing an increase of 45.2% 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. Last year, the sales of Fluxum fluctuated due to hospital closures and a decline in the number of patients treated during the COVID-19 outbreak.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 and 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 effective control of COVID-19, the recovery of social and economic activities and continuous and steady promotion strategy in the first half of the year, the sales of Fluxum increased significantly 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 RMB25.6 million, representing an increase of 40.9% compared to the same period 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 chronic or recurrent respiratory or urinary tract infections. 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 ("**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. CFDA also required that the clinical trial of effectiveness for pidotimod products should be completed within three years. As a result of this incident, sales of Polimod have declined significantly in some regions, especially in markets where clinicians and patients are not familiar with the product. 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 CFDA, and have commenced such trials immediately following CFDA's. At present, the clinical trial has completed 100% of the patient recruitment, pending complete follow-up data. During the Reporting Period, due to the effective control of COVID-19 in Mainland China and the recovery of social and economic activities, the sales volume of Polimod rebounded significantly compared with the same period last year, despite various restrictions on the quantity of complementary drugs imposed by the national policy. 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 business segment of other drugs of the Group has achieved further development due to the effective control of COVID-19 in Mainland China and the gradual recovery of social and economic activities. For the Reporting Period, the Group's revenue generated from sales of these products was RMB133.0 million, representing an increase of 168.8% compared to the same period last year. Specifically, the Group's wound cleanser product NeutroPhase, as a widely used medical device consumable with outstanding sterilization effect, has a broad market prospect. The Group took full advantage of market opportunities and the sales of NeutroPhase represented an increase of 65.8% compared to the same period last year through fine management and the full expansion of quality market channels. The Group's gynecological product Macmiror Complex lays a solid ground for the academic promotion of the product. The Group will strengthen its marketing and promotion activities targeted at hospitals and departments covered by its sales network, improve the product's coverage of hospitals by furthering its sales channels and endeavor to grow its share in the gynecology therapeutic market. Given the competitive pharmaceutical market and complex and ever-changing 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 12.6% compared to the same period last year to RMB87.9 million, representing 12.8% of the Group's revenue for the Reporting Period. Gross profit increased by 132.3% compared to the same period last year to RMB45.8 million, representing 12.1% 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 solid foundation for the future business development of medical device sector.

1.2 Products Sold via the Provision of Channel Management Services:

	For the six months ended 30 June			
Category	**2021** ***RMB'000*** **(unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit** ***(%)***	2020 *RMB'000* (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit *(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**113,282**	**16.5**	126,693	20.4
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**7,855**	**2.1**	5,818	2.3

For the Reporting Period, the Group's revenue generated from this segment decreased by 10.6% compared to the same period last year to RMB113.3 million, representing 16.5% of the Group's revenue for the Reporting Period. Gross profit increased by 35.0% compared to the same period last year to RMB7.9 million, representing 2.1% of the Group's gross profit for the Reporting Period. Due to the opening of ophthalmic clinics and an increase in the number of people seeking medical attention, the sales of this business segment increased during the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to the aforementioned existing products, 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. The Group is already conducting for the preliminary clinical trials 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 is now officially on the market.

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 pushed forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will contribute to the acceleration of the launch 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, 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". While significantly enhancing the Group's operational efficiency and preventing 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 more attention paid by the Group to the academic training of the in-house marketing team, the Group strengthened the frequency and depth of the academic promotion activities involved by the internal marketing team, 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 team 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 has resulted in a significant increase in market coverage. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's operation.

3. Equity Investment and Financial Assets

Save for the equity investment in Paragon Care Limited ("**Paragon**") as disclosed below, 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 2020 and 30 June 2021.

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 is beneficial to the business relationship between the Group and NovaBay.

The Group has made several rounds of investments in NovaBay since 2013. As at 30 June 2021, the Group held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 11.63% of its equity interest, and did not hold any NovaBay warrants.

As at 30 June 2021, the Company recognized a reversal of impairment loss of RMB3.31 million in relation to the investment, as the recoverable amount of the investment is greater than the corresponding carrying amount. For further information of the business and financial performance and prospects of NovaBay, please refer to the 2021 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 2021, the Group held a total of 59,730,378 ordinary shares of Paragon, representing 17.68% of its total issued shares. The Company first invested in Paragon in 2018. The Group resumed the authority to nominate a director to the board of Paragon starting from 1 January 2021 and had been exercising significant influence on Paragon throughout the period. Hence, as of 1 January 2021, we have re-classified the investment in Paragon of RMB67.6 million from equity instruments at FVTOCI to interest in associates. As at 30 June 2021, the shares of Paragon with fair value of RMB65.9 million has been pledged as security for the bank borrowings of RMB14.5 million. 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. 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 capital of RMB10.5 million to 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. Together 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. 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 8,906 shares to Pioneer Pharma (Hong Kong) Co., Limited 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. As the Company's has become 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) since 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 popular with its unique medical aesthetics techniques since the entry into the China market. The investment this time will further facilitate the 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

As of 30 June 2021, the Group's 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**") was recognized as equity instruments at fair value through other comprehensive income ("**FVTOCI**"), which amounted to RMB52.3 million. The Fund, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2021, the Group held 10% 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 2021, the Group recorded an unrealized gain of RMB12.0 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 the 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 to achieve development goals in the long run.

3.2 Investment in Rongchang Manufacturing Base

In 2019, the Group, through a wholly-owned subsidiary, Chongqing Qianfeng Pharmaceutical Co., Ltd. ("**Chongqing Qianfeng**"), obtained the state-owned construction land use right of land numbered of 2019-RC-1–03 transferred from Rongchang District Government of Chongqing Municipality ("**Rongchang District Government**"). The land covers a total area of 38,972m^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 District Government, the planned building area of this project shall be over 40,000m^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 transforming 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 constantly improve the market competitiveness and revenue of the Group.

3.3 Structured Bank Deposits

During the Reporting Period, the Group has taken out several structured bank deposits (the "**Deposits**") with a number of banks in the PRC. The Deposits provided a minimum deposit income ranging from 1.1% to 1.56% per annum, and an expected return up to 3.22% to 3.5% per annum. The majority of the Deposits were short-term deposits or are redeemable on demand. As of the end of the Reporting Period, the Group recorded a total of approximately RMB115,000,000 for all of these Deposits, representing approximately 9.9% of the total assets of the Group as at the end of the Reporting Period. As of the end of the Reporting Period, no single Deposit reached 5% or above of the total assets of the Group. These Deposits were entered into with various sizeable licensed banks of long-established banking businesses in the PRC, and were guaranteed as to principals. During the Reporting Period, the total deposit income generated from the Deposits were RMB2.6 million, and the Group has managed to withdraw the principals upon maturity without difficulty.

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 RMB685.8 million, representing a 10.2% increase from RMB622.5 million for the six months ended 30 June 2020. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB484.6 million, representing a 56.7% increase from RMB309.3 million for the six months ended 30 June 2020, primarily due to the increase in sales due to promotion of major products of the Company in the Reporting Period and the decrease in sales of major products in the same period of last year 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 RMB87.9 million, representing a 12.6% increase from RMB78.1 million for the six months ended 30 June 2020, primarily due to the increase of sales because the Company continuous being committed in marketing promotion which has gained some achievements. Revenue generated from products sold via the provision of channel management services in the Reporting Period was RMB113.3 million, representing a 10.6% decrease from RMB126.7 million for the six months ended 30 June 2020.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB307.5 million, representing a 17.1% decrease from RMB370.8 million for the six months ended 30 June 2020, primarily due to decreasing the sales of Alcon's pharmaceutical products during the Reporting Period and increasing the cost of personal protective products in the same period of last year. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB155.4 million, representing a 50.5% increase from RMB103.3 million for the six months ended 30 June 2020. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB42.2 million, representing a 27.8% decrease from RMB58.4 million for the six months ended 30 June 2020. Cost of sales in products sold via the provision of channel management services in the Reporting Period was RMB105.4 million, representing a 12.8% decrease from RMB120.9 million for the six months ended 30 June 2020.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB378.4 million, representing a 50.3% increase from RMB251.7 million for the six months ended 30 June 2020. The Group's average gross profit margin in the Reporting Period was 55.2%, representing an increase from 40.4% for the six months ended 30 June 2020. 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 67.9%, representing an increase from 66.6% for the six months ended 30 June 2020, primarily due to the higher sales proportion of some products with higher 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 52.1%, representing an increase from 25.2% for the six months ended 30 June 2020, primarily because the Company has significantly increased the proportion of sales of products with higher gross margin. The Group's gross profit margin for products sold via the provision channel management services in the Reporting Period was 6.9%, representing an increase from 4.6% for the six months ended 30 June 2020.

Other income

The Group's other income in the Reporting Period was RMB10.2 million, representing a 12.0% decrease from RMB11.6 million for the six months ended 30 June 2020, primarily due to decreasing in government subsidies received net off by the effect of dividend received from an equity instrument at FVTOCI during the Reporting Period.

Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB244.5 million, representing a 33.7% increase from RMB182.8 million for the six months ended 30 June 2020, primarily due to increase in marketing promotion expenses for some products increasing the marketing activities and expanding market share during the Reporting Period, and the reduction of some marketing activities and expenses in the same period of last year under the COVID-19 epidemic. Distribution and sale expenses in the Reporting Period were 35.6% of the revenue, representing an increase from 29.4% for the six months ended 30 June 2020.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB40.2 million, representing a 28.5% increase from RMB31.3 million for the six months ended 30 June 2020, primarily due to the increase in staff cost, office expense and amortization of intangible assets. Administrative expenses in the Reporting Period were 5.9% of the revenue, representing an increase from 5.0% for the six months ended 30 June 2020.

Finance costs

The Group's finance costs in the Reporting Period were RMB0.5 million, representing a 16.7% decrease from RMB0.6 million for the six months ended 30 June 2020, primarily due to the decrease in bank borrowing rates, resulting in a decline in interest expenses.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB29.9 million, representing a 0.4% increase from RMB29.7 million for the six months ended 30 June 2020. The Group's effective income tax rate for the six months ended 30 June 2020 and the Reporting Period was 49.5% and 30.5%, respectively. 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 Pioneer, 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 RMB68.1 million, representing a 124.0% increase from RMB30.4 million for the six months ended 30 June 2020. The Group's net profit margin in the Reporting Period was 9.9%, representing an increase from 4.9% for the six months ended 30 June 2020.

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 2021 were RMB162.5 million, representing an increase from RMB115.0 million as at 31 December 2020, primarily due to the increase of sales of the Company, resulting in an increase in sales collections at the same time during the Reporting Period.

Inventories

The Group's inventory balance as at 30 June 2021 was RMB217.1 million, representing a 51.6% decrease from RMB448.7 million as at 31 December 2020, primarily because the import drugs approval notice of some products has expired by the end of 2020 so the Company increased inventory reserves for some products in 2020 and decreased the purchases of these products in 2021. Sales of these products during the Reporting Period were dominated by the use of inventory reserves.

Trade and other receivables

The Group's trade and other receivables as at 30 June 2021 were RMB308.8 million, representing a 16.0% decrease from RMB367.7 million as at 31 December 2020. The trade receivables turnover as at 30 June 2021 was 81.1 days, representing an increase from 80.3 days as at 31 December 2020.

Trade and other payables

The Group's trade and other payables as at 30 June 2021 were RMB102.8 million, representing a 76.1% decrease from RMB430.4 million as at 31 December 2020. The Group's trade payables turnover as at 30 June 2021 was 116.2 days, representing a decrease from 157.8 days as at 31 December 2020, 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 RMB89.1 million as at 30 June 2021 as compared to RMB15.1 million as at 31 December 2020. On 30 June 2021, the effective interest rate of the Group's bank borrowings ranged from 2.79% to 4.37%. Bank borrowings of the Group were denominated in CNY and AUD, respectively. As at 30 June 2021, bank borrowings of RMB14.5 million were secured by interests in Paragon, as compared to 31 December 2020 during which bank borrowings of RMB15.1 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 7.6% as at 30 June 2021, as compared to 1.1% as at 31 December 2020.

Indebtedness

The Group had total non-derivative financial liabilities with maturity profile less than 1 year of RMB119.0 million as at 30 June 2021 as compared to liabilities of RMB375.8 million as at 31 December 2020 based on undiscounted contractual payments.

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 2021, the Group had a total of 255 employees. For the Reporting Period, staff costs of the Group were RMB38.3 million as compared to RMB27.6 million for the six months ended 30 June 2020. The Group's employee remuneration policy is determined by taking into account factors such as the remuneration level in the local market, the overall remuneration standard in the industry, the inflation level, the corporate operating efficiency and employees' performance. The Group conducts performance appraisals once every year for its employees, the results of which are taken into consideration in annual salary review and promotion assessment. The Group's employees are considered for annual bonuses based on certain performance criteria and appraisal results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labor dispute during the Reporting Period.

INTERIM DIVIDEND

The Board recommend an interim dividend of HK$0.056 per Share, amounting to HK$70.6 million in total for the six months ended 30 June 2021 (2020: HK$89.5 million).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 4 October 2021, in order to determine the entitlement of Shareholders to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 30 September 2021.

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 on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2021. 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 set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and each of the Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021.

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 listed securities during the six months ended 30 June 2021.

SHARE AWARD SCHEME

The Company adopted a share award scheme (the "**Share Award Scheme**") to recognize 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 talents for the 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 "**Adoption Date**"). 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 at 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 during the six months ended 30 June 2021.

As of the date of this announcement, there were 56,573,000 Shares (approximately 4.49% of the Shares in issue) in the Share Award Scheme available for grant as awarded shares. The maximum number of Shares which may be awarded to an awardee shall not exceed 1% with the issued share capital of the Company from time to time. The conditions of each grant and vesting including the period within which the award be taken up are subject to the discretion of the Board, which shall be made in compliance of the rules of the Share Award Scheme and on case-to-case basis. There is no necessary amount payable on acceptance of an award under the Share Award Scheme.

There were 56,573,000 Shares under the Share Award Scheme as at the beginning and the end of the Reporting Period. During the Reporting Period, there was no cancellation, lapse or exercise of rights in relation of any Shares under the Share Award Scheme.

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 Group's scope of audit.

The unaudited interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and available on the websites of the Company (http://www.pioneer-pharma.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

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

Hong Kong, 27 August 2021

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. LUO Chunyi and Mr. XIAO Guoguang as executive Directors, Mr. WU Mijia and Ms. HU Mingfei as non-executive Directors and Mr. ZHANG Hong, Mr. WONG Chi Hung, Stanley and Mr. WANG Yongli as independent non-executive Directors.