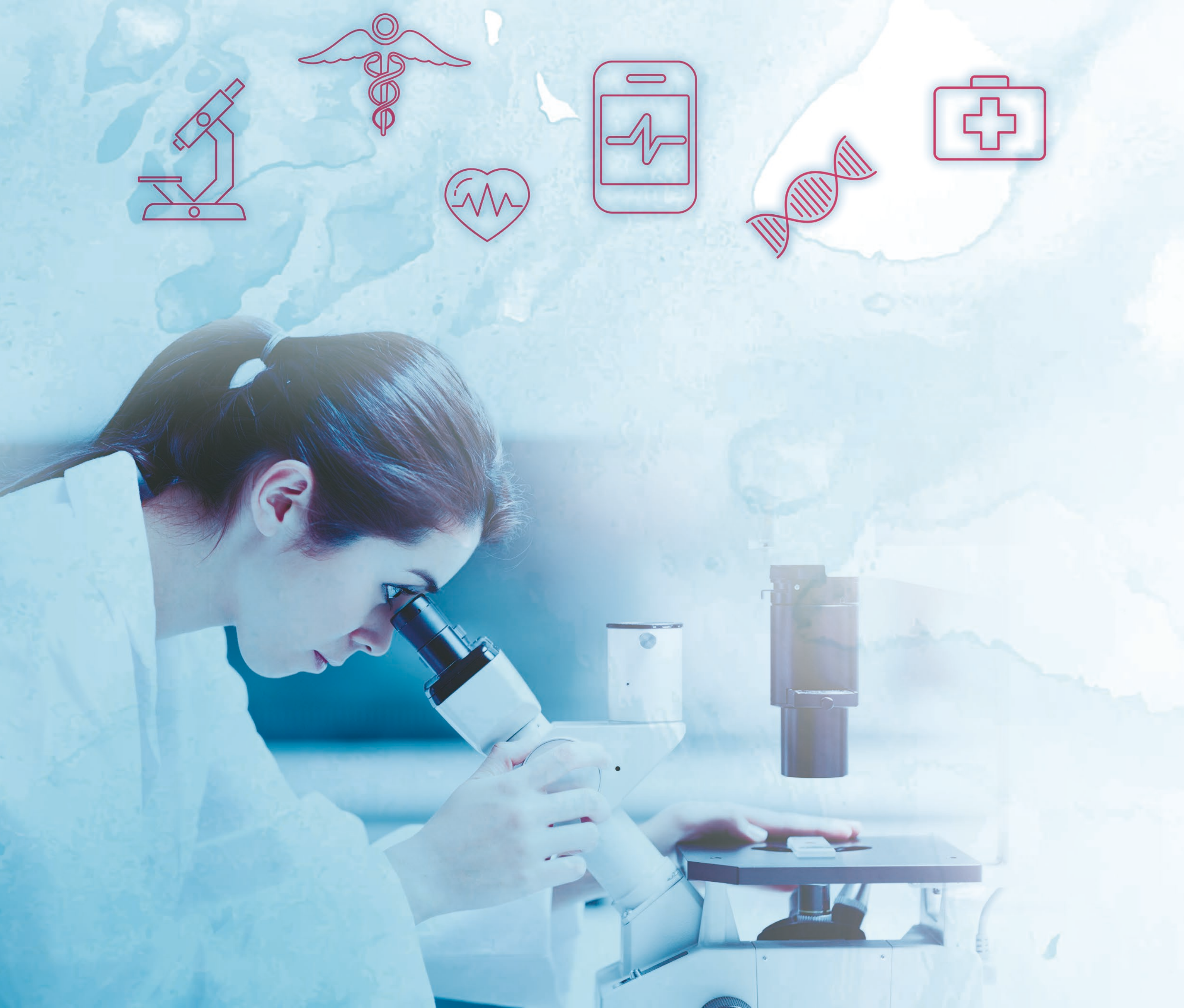
中国先锋医药控股有限公司
China Pioneer Pharma Holdings Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code : 01345

先機為重
Pioneering Success
鋒行天下

2022
INTERIM REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xinzhou *(Chairman)*
Mr. Luo Chunyi *(Chief Executive Officer)*
Mr. Xiao Guoguang

Non-executive Director

Ms. Hu Mingfei

Independent Non-executive Directors

Mr. Zhang Hong
Mr. Lai Chanshu
Mr. Wong Chi Hung, Stanley

AUDIT COMMITTEE

Mr. Wong Chi Hung, Stanley *(Chairman)*
Mr. Zhang Hong
Ms. Hu Mingfei

REMUNERATION COMMITTEE

Mr. Zhang Hong *(Chairman)*
Mr. Lai Chanshu
Ms. Hu Mingfei

NOMINATION COMMITTEE

Mr. Li Xinzhou *(Chairman)*
Mr. Lai Chanshu
Mr. Zhang Hong

AUTHORIZED REPRESENTATIVES

Mr. Luo Chunyi
Ms. Ng Ka Man

COMPANY SECRETARY

Ms. Ng Ka Man

REGISTERED OFFICE

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George Town
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTER

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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190 Elgin Avenue, George Town
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

LEGAL ADVISOR

ZHONG LUN LAW FIRM

STOCK CODE ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

01345

COMPANY'S WEBSITE

http://www.pioneer-pharma.com

Financial Highlights

- Revenue of the Group for the six months ended 30 June 2022 was RMB659.4 million, which represents a 3.9% decrease compared to RMB685.8 million for the same period last year.

- Gross profit of the Group for the six months ended 30 June 2022 was RMB356.4 million, which represents a 5.8% decrease compared to RMB378.4 million for the same period last year.

- Net profit of the Group for the six months ended 30 June 2022 was RMB121.6 million, which represents a 78.4% increase compared to RMB68.1 million for the same period last year.

- Basic earnings per share of the Company was RMB0.1 for the six months ended 30 June 2022, which represents a 66.7% increase compared to RMB0.06 for the same period last year.

	For the six months ended 30 June				
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	2018 RMB'000 (unaudited)
Operating results					
Revenue	**659,410**	685,833	622,495	620,253	951,622
Gross profit	**356,360**	378,355	251,676	305,051	331,703
Profit before income tax	**149,687**	98,013	60,097	103,578	133,822
Profit for the period	**121,566**	68,141	30,353	98,151	120,943
Profit for the period, all attributable to the owners of the Company	**122,218**	68,888	30,767	98,657	120,682

Company Overview

China Pioneer Pharma Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is one of the largest comprehensive marketing, promotion and channel management service providers, dedicated to imported pharmaceutical products and medical devices in China. Founded in 1996, the Group has over two decades of operating history.

The Group provides comprehensive marketing, promotion and channel management services to small and medium-sized overseas suppliers that lack sufficient manpower or ability to independently market their products in the rapidly growing healthcare market in China. The Group provides channel management services to Alcon Pharmaceuticals Ltd. ("**Alcon**"), the world's largest eye care products company.

Marketing and promotion services that the Group provides include formulating marketing and promotion strategies, educating individual physicians on the clinical uses and benefits of the Group's products, organising academic conferences, seminars, symposiums and other promotional activities, and appointing and supervising third-party promotion partners (who are responsible for most of the day-to-day marketing and promotional activities of the Group). When required by its suppliers, the Group also manages the product registration process that is a prerequisite to the sale of imported pharmaceutical products and medical devices in China.

Channel management services that the Group provides focus on customs clearance and warehousing, participating in tender processes (such processes are a requirement for selling pharmaceutical products and medical devices to public hospitals and medical institutions in China), appointing and managing distributors (who primarily process purchase orders, deliver products and collect payments), managing and optimising inventory levels at distributors and hospitals, and collecting, integrating and analysing sales data.

The Group currently purchases its products primarily from several major suppliers based in Europe and North America. These products fill unmet medical needs in the market because of their superior clinical profiles, improved quality or formulations, or the lack of competition from similar products in the Chinese market.

For the six months ended 30 June 2022 (the "**Reporting Period**"), the Group sold its products through its nationwide marketing, promotion and channel management service network to a total of approximately 30,000 hospitals and other medical institutions and over 150,000 pharmacies across all provinces, municipalities and autonomous regions in China.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Since 2022, 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 pressure on drug prices, 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 the industry is still on a rise. However, due to the outbreak of COVID-19 in some cities in mainland China in the first half of 2022, the Company's business development has also been affected to some extent. To cope with these impacts, the Company is also vigorously expanding new businesses and channels to gain more development opportunities and to offset the negative impact of the epidemic on the Company as much as possible.

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

For the Reporting Period, many cities of the mainland China, where the Company operates its business, were affected by the COVID-19, and economic activities in these regions have been severely impacted. In order to cope with the impact of the sudden epidemic, the Company actively sorted out the market potential and promotion direction of its products, continued to increase the frequency and depth of academic promotion activities, and meanwhile the Company deeply expanded new pipelines and businesses, which effectively ensured the normal and stable development of the Company under the impact of the epidemic.

For the Reporting Period, the Group's revenue decreased by 3.9% compared to the same period last year to RMB659.4 million. Net profit increased by 78.4% compared to the same period last year to RMB121.6 million. Revenue generated from Alcon's ophthalmic pharmaceutical products sold via the provision of channel management services increased by 18.0% compared to the same period last year to RMB133.7 million, representing 20.3% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB9.1 million, representing 2.6% 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 11.5% compared to the same period last year to RMB429.1 million, representing 65.1% of the Group's revenue for the Reporting Period. Gross profit decreased by 11.2% compared to the same period last year to RMB292.4 million, representing 82.1% 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 9.9% compared to the same period last year to RMB96.6 million, representing 14.7% of the Group's revenue for the Reporting Period. Gross profit increased by 19.7% compared to the same period last year to RMB54.8 million, representing 15.4% of the Group's gross profit for the Reporting Period.

1. Product Development

As at 30 June 2022, the Group had a product portfolio of pharmaceutical products (mostly being prescription medicine) 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	**2022 RMB'000 (unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit (%)**	2021 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	**429,076**	**65.1**	484,602	70.7
Medical Devices	**96,637**	**14.7**	87,949	12.8
Gross Profit:				
Pharmaceutical Products	**292,422**	**82.1**	329,205	87.0
Medical Devices	**54,805**	**15.4**	45,781	12.1

During the Reporting Period, as a result of various factors such as the impact of COVID-19 and the 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. During the Reporting Period, revenue generated from this segment decreased by 11.5% compared to the same period last year to RMB429.1 million, representing 65.1% of the Group's revenue for the Reporting Period. Gross profit decreased by 11.2% compared to the same period last year to RMB292.4 million, representing 82.1% 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 RMB123.7 million, representing an increase of 23.2% compared to the same period last year. The Group effectively increased product coverage of market gaps through expanding 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 came from sales of the 10-pack specification. The newly launched 14-pack has replaced 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 being more consistent with the prescription practices 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. Through increased marketing activities, such as education programs for doctors and patients on the disease treatment and prevention, the Group will further expand the market influence of the reference medicinal products, so as to highlight their market competitiveness and consistent good quality. At the same time, the Group will also strive to expand more sales channels, in order to achieve the growth of sales of Difene.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB192.2 million, representing a decrease of 14.8% 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, due to the insufficient production capacity of overseas suppliers to meet the growing demand of the domestic market, there was a shortage of Fluxum in some regions of mainland China, and the sales growth momentum of Fluxum declined to a certain extent. In the future, the Company will continue to strengthen the management and communication on the supply side to ensure the stable supply of products. Meanwhile, the Group will constantly expand Fluxum's brand recognition through in-depth exploration on the differentiation of product characteristics, 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, having entered into a number of new markets through sensible bidding strategies, and continuously increasing 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 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 and even the whole department. The Group believes that with its leading market position among similar products, 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 0.1% 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 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 National Medical Products Administration ("**NMPA**") 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. NMPA 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 of Polimod in certain areas, especially in cities where clinicians and patients are not familiar with Polimod. 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 to conduct extensive meetings in primary medical institutions, 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 NMPA, and has since commenced such trials immediately and orderly. At present, the clinical trial has completed 100% of the patient recruitment, waiting for complete follow-up data. 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.

For the Reporting Period, the Group's revenue generated from sales of other products of the pharmaceutical business segment was RMB87.5 million, representing a decrease of 34.2% compared to that of last year. 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 over hospitals by furthering its sales channels and endeavored to grow its share in the gynecology therapeutic market. 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 9.9% compared to the same period last year to RMB96.6 million, representing 14.7% of the Group's revenue for the Reporting Period. Gross profit increased by 19.7% compared to the same period last year to RMB54.8 million, representing 15.4% of the Group's gross profit for the Reporting Period. Despite the impact of the epidemic and market competition, based on the features of its products, the Group achieved good revenue by organizing its promotion strategy carefully and accelerating 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. Specifically, the Group's wound cleanser products NeutroPhase, as a widely used product with outstanding sterilization effect, has a broad market prospect. The Group took full advantage of market opportunities and the sales revenue of NeutroPhase represented an increase of 5.9% compared to that of last year through the fine management and the full expansion of high-quality market channels.

1.2 Products Sold via the Provision of Channel Management Services:

	For the six months ended 30 June			
Category	**2022 RMB'000 (unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit (%)**	2021 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	**133,697**	**20.3**	113,282	16.5
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**9,133**	**2.6**	7,885	2.1

For the Reporting Period, the Group's revenue generated from this segment increased by 18% compared to the same period last year to RMB133.7 million, representing 20.3% of the Group's revenue for the Reporting Period. Gross profit increased by 16.3% compared to the same period last year to RMB9.1 million, representing 2.6% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceuticals and medical device companies. In addition to the existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that 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.

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 launching process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceuticals and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

Meanwhile, as disclosed in the Company's announcements dated 24 February 2022, 24 May 2022 and 28 June 2022, since the capital increase of Hunan Tiantong Environmental Protection Co., Ltd., the Group has been committed to the development and commercial operation of new business channels in the environmental protection industry. During the Reporting Period, the Company has successfully signed cooperation agreements with several companies. With the commercialization of environmental protection projects, this area will become a new growth point of the Group's performance in the future.

2. Marketing Network Development

As the sole importer of overseas medical products served by the Group 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". 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 conducted 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 responses, 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 teams, 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 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 significant improvement to its 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

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 focusing 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 2022, the Group held a total of 5,188,421 ordinary shares of NovaBay, representing approximately 9.70% of its equity interest, and did not hold any NovaBay warrants.

The Group has no significant influence on NovaBay due to the resignation of Mr. Li Xinzhou as a director on the NovaBay's board of directors on 27 January 2022. Accordingly, on 27 January 2022, the directors of the Company (the "**Directors**") have designated this investment as equity instruments at FVTOCI.

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 2022, the Group held a total of 62,609,060 ordinary shares of Paragon, representing 9.72% of the total issued shares of Paragon. On 16 February 2022, the proportion of ordinary shares held by the Group was diluted from 10.86% to 9.87% and the Group has forfeited its right to nominate directors to the board of directors of Paragon in accordance with the relevant shareholders' agreement. On 16 February 2022, Paragon is not considered as an associate company of the Group. The Directors have designated this investment as equity instruments at FVTOCI. Thus, the gain on disposal of the associate of RMB37,825,000 (2021: Nil) for the Reporting Period is included in profit and loss.

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 to form 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 Area Pioneer Pharmaceutical Co., Ltd. ("**Naqu Pioneer**") established Sichuan Pioneer Huimei Biotechnology Co., Ltd. ("**Pioneer Huimei**") with Chengdu Huimei Biotechnology Co., Ltd.. Naqu Pioneer contributed RMB13.50 million to the registered capital of Pioneer Huimei, representing 75% 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. 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., Ltd., 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., Ltd. 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 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 (limited partnership)

As of 30 June 2022, 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), "**Shanghai Yuhan**") was recognized as equity instruments at FVTOCI, representing an amount of RMB59.6 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2022, the Group held 10% of the equity interest of Shanghai Yuhan. Shanghai Yuhan mainly engages in the investment in unlisted private entities and structured bank deposits. During the six months ended 30 June 2022, the Group recorded an unrealized gain of RMB11.3 million of its investment in Shanghai Yuhan, and has received entitlement distribution RMB3.3 million therefrom. The Group's investment in Jiaxing Yuhan Fund (limited partnership) (嘉興譽瀚股權投資合夥企業(有限合夥), "**Jiaxing Yuhan**") which amounted to RMB10 million, has been recognized as equity instrument at FVTOCI. As at 30 June 2022, the Group held 6.62% of the equity interest in Jiaxing Yuhan. Jiaxing Yuhan was incorporated in the PRC and specialized in making equity investment in various targets within the pharmaceutical industry. The Group's strategy of this investment is for long-term holding. The Group has no intention of realizing its interests in Jiaxing Yuhan or speculating on its market performance in any short run, but intends to lever on its role in Jiaxing Yuhan for exploring and ascertaining targets of growth potential in the pharmaceutical industry for business partnering and investment opportunities, and for development goals in the long run.

3.1.6 Investment in Hunan Tiantong Environmental Protection Co., Ltd.

On 23 February 2022, Xiantao Pioneer Pharma Co., Ltd., (仙桃先鋒醫療服務有限公司, "**Xiantao Pharma**") a wholly-owned subsidiary of the Group, Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司, "**Tiandao Medical**") and Mr. Xiao Guoguang ("**Mr. Xiao**") entered into a capital increase agreement, pursuant to which, Xiantao Pharma intends to increase the capital of Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司, "**Hunan Tiantong Environmental Protection**") by RMB27.5 million and hold 55% of its equity interests. The consideration has been paid by several batches and the transaction has been completed on 17 June 2022. Upon completion of the transaction, Hunan Tiantong became an indirect subsidiary of the Company.

The capital increase is in line with the Group's long-term strategic planning and goals, and will help the Group expand its business into the environmental protection industry. As a leader in environmental protection industry, Mr. Xiao has a profound understanding of the development of the industry. In addition, the environmental protection industry is an industry being encouraged and supported by national policies and will have promising prospects for growth. Hunan Tiantong Environmental Protection's self-developed technology of comprehensive recycling of electroless nickel plating waste has a competitive edge of its capacity on recycling of heavy metals, high degree of automation and recyclability, while the complete set of ECD electrocatalytic steel strip acid-free cleaning technology has the characteristics of high speed, low cost and no pollution. With the competitive edges brought by such technologies in the environmental protection industry, Hunan Tiantong Environmental Protection is expected to bring attractive profits and return for the Group and the shareholders of the Company (the "**Shareholders**") as a whole.

3.2 Investment in Rongchang Manufacturing Base

At 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 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 District 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 constant 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 RMB659.4 million, representing a 3.9% decrease from RMB685.8 million for the six months ended 30 June 2021. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB429.1 million, representing a 11.5% decrease from RMB484.6 million for the six months ended 30 June 2021, primarily due to the continuous occurrence of COVID-19 in some regions of mainland China and the insufficient capacity of overseas suppliers of some major products of the Company, so the overall sales of the Company were greatly affected which led to the decrease in sales during the Reporting Period. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB96.6 million, representing a 9.9% increase from RMB87.9 million for the six months ended 30 June 2021, primarily due to the increase of sales because the Company was continuously committed in marketing promotion which has gained great achievement. Revenue generated from products sold via the provision of channel management services in the Reporting Period was RMB133.7 million, representing a 18.0% increase from RMB113.3 million for the six months ended 30 June 2021.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB303.1 million, representing a 1.4% decrease from RMB307.5 million for the six months ended 30 June 2021, primarily due to the decrease in revenue 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 RMB136.7 million, representing a 12.1% decrease from RMB155.4 million for the six months ended 30 June 2021. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB41.8 million, representing a 0.8% decrease from RMB42.2 million for the six months ended 30 June 2021. Cost of sales in products sold via the provision of channel management services in the Reporting Period was RMB124.6 million, representing a 18.2% increase from RMB105.4 million for the six months ended 30 June 2021.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB356.4 million, representing a 5.8% decrease from RMB378.4 million for the six months ended 30 June 2021. The Group's average gross profit margin in the Reporting Period was 54.0%, representing a decrease from 55.2% for the six months ended 30 June 2021. 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 68.2%, representing an increase from 67.9% for the six months ended 30 June 2021, primarily due to the increase of 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 56.7%, representing an increase from 52.1% for the six months ended 30 June 2021, 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 products sold via the provision channel management services in the Reporting Period was 6.8%, representing a decrease from 6.9% for the six months ended 30 June 2021.

Other income

The Group's other income in the Reporting Period was RMB18.7 million, representing an 83.7% increase from RMB10.2 million for the six months ended 30 June 2021, primarily due to the increase in government subsidies received and the increase in dividend income from equity instruments at FVTOCI during the Reporting Period.

Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB217.7 million, representing a 10.9% decrease from RMB244.5 million for the six months ended 30 June 2021, primarily due to the decrease of part of products in marketing activities leading to a decrease in expenses because of the epidemic control in some areas during the Reporting Period. Distribution and sale expenses in the Reporting Period were 33.0% of the revenue, representing a decrease from 35.6% for the six months ended 30 June 2021.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB39.6 million, representing a 1.5% decrease from RMB40.2 million for the six months ended 30 June 2021. Administrative expenses in the Reporting Period were 6.0% of the revenue, representing an increase from 5.9% for the six months ended 30 June 2021.

Finance costs

The Group's finance costs in the Reporting Period were RMB1.0 million, representing a 115.2% increase from RMB0.5 million for the six months ended 30 June 2021, primarily due to the increase in banking borrowing during the Reporting Period.

Income tax expenses

The Group's income tax expenses in the Reporting Period were RMB28.1 million, representing a 5.9% decrease from RMB29.9 million for the six months ended 30 June 2021. The Group's effective income tax rate for the six months ended 30 June 2021 and the Reporting Period were 30.5% and 18.8%, 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 RMB121.6 million, representing a 78.4% increase from RMB68.1 million for the six months ended 30 June 2021. The Group's net profit margin in the Reporting Period was 18.4%, representing an increase from 9.9% for the six months ended 30 June 2021.

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 2022 were RMB193.1 million, representing a decrease from RMB224.9 million as at 31 December 2021, primarily due to the increase in investments of acquisition of a subsidiary and the increase in bank's structured deposits purchased with temporarily idle funds during the Reporting Period as compared with the same period last year.

Inventories

The Group's inventory balance as at 30 June 2022 was RMB225.6 million, representing a 23.5% decrease from RMB294.9 million as at 31 December 2021, primarily due to that the Company strengthened the management of stock, and at the same time, the stock shortage of some products for the insufficient production capacity of overseas suppliers.

Trade and other receivables

The Group's trade and other receivables as at 30 June 2022 were RMB266.3 million, representing a 13.1% decrease from RMB306.3 million as at 31 December 2021. The trade receivables turnover as of 30 June 2022 was 71.6 days, representing a decrease from 74.6 days as at 31 December 2021, primarily due to that the Company continuously strengthened the management of receivables, and at the same time, increased the strength of collections for receivables.

Trade and other payables

The Group's trade and other payables as at 30 June 2022 were RMB179.1 million, representing a 39.7% decrease from RMB297.1 million as at 31 December 2021. The Group's trade payables turnover as at 30 June 2022 was 109.3 days, representing a decrease from 170.9 days as at 31 December 2021, 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 RMB70.8 million as at 30 June 2022 as compared to RMB13.9 million as at 31 December 2021. On 30 June 2022, the effective interest rate of the Group's bank borrowings ranged from 0.95% to 3.07%. The bank borrowings were denominated in USD and AUD respectively. As at 30 June 2022, bank borrowings of RMB13.8 million were secured by pledging of certain percentage of the Group's equity instrument at FVTOCI, as compared to 31 December 2021 during which bank borrowings of RMB13.9 million were secured by the interest in an associate. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 5.4% as of 30 June 2022, as compared to 1.0% as at 31 December 2021.

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 2022			
Bank borrowings	**70,815**	**–**	**70,815**
Trade payables	**125,887**	**653**	**126,540**
Amount due to related parties	**1,662**	**–**	**1,662**
Lease liabilities	**76**	**–**	**76**
As at 31 December 2021			
Bank borrowings	13,866	–	13,866
Trade payables	234,953	652	235,605
Amount due to related parties	2,033	–	2,033
Lease liabilities	113	–	113

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 2022, the Group had a total of 292 employees. For the Reporting Period, staff costs of the Group were RMB36.5 million as compared to RMB38.3 million for the six months ended 30 June 2021. 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.

Other Information

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 2022. 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 they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2022.

AUDIT COMMITTEE

The board of Directors of the Company (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 Ms. Hu Mingfei.

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's audit.

The unaudited interim results of the Group for the six months ended 30 June 2022 have been reviewed by the Audit Committee.

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 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 "**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 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 during the six months ended 30 June 2022. As of the date of this report, 68,035,000 shares of the Company (the "**Shares**") (approximately 5.41% of the Shares in issue) in the Share Award Scheme were available for granting as awarded shares. The maximum number of Shares which may be awarded to a grantee shall not exceed 1% of 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 may 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. No payment is required for the acceptance of an award under the Share Award Scheme.

As at the beginning and end of the Reporting Period, there were 61,676,000 Shares and 67,065,000 Shares under the Share Award Scheme, respectively. There were no awarded Shares granted and/or unvested under the Share Award Scheme. During the Reporting Period, there was no grant, cancellation, lapse or exercise of rights in relation to any Shares under the Share Award Scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company had bought back the following Shares on the Stock Exchange during the six months ended 30 June 2022 with details as set out below:

Month of Purchase	Number of Shares Purchased	Lowest Price Paid per Share HK$	Highest Price Paid per Share HK$	Total Price Paid HK$
January 2022	2,600,000	1.81	2.00	5,153,800
February 2022	–	–	–	–
March 2022	–	–	–	–
April 2022	120,000	2.42	2.42	290,400
May 2022	–	–	–	–
June 2022	–	–	–	–
Total	2,720,000			5,444,200

All of the Shares bought back during the six months ended 30 June 2022 were subsequently cancelled at the date of 30 June 2022. The Board considers that the value of the Shares in the capital market was undervalued. The market value of the Shares was far below their intrinsic value, taking into account the Group's sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the Share buy-backs and subsequent cancellation of the repurchased Shares can improve the return to the Shareholders. Save as disclosed above and the purchases of the Shares by the trustee pursuant to the Share Award Scheme, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

CHANGES IN RESPECT OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B of the Listing Rules, there were no changes to the information at the date of this report, which is required to be disclosed and which has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO to be entered into the register maintained by the Company, or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares of the Company

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Li Xinzhou	Interest of spouse[(1)]	859,795,000 (L)	68.38%
	Beneficial owner	9,714,000 (L)	0.77%

Remark:

The letter "L" denotes the long position in Shares.

Note:

(1) Ms. Wu Qian holds 95% shares in Tian Tian Limited and Tian Tian Limited holds 100% shares in Pioneer Pharma (BVI) Co. Ltd., therefore Ms. Wu Qian is deemed to be interested in 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd., and Ms. Wu Qian holds 1,403,000 Shares of the Company. As Ms. Wu Qian is the spouse of Mr. Li Xinzhou, Mr. Li Xinzhou is deemed to be interested in such 859,795,000 Shares.

Save as disclosed above, as at 30 June 2022, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange, or (ii) recorded in the register to be kept by the Company under section 352 of the SFO, or (iii) pursuant to the Model Code, notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2022 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any of the Directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under the age of 18, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wu Qian	Interest of controlled corporation(1)	858,392,000 (L)	68.26%
	Interest of spouse(2)	9,714,000 (L)	0.77%
	Beneficial owner	1,403,000 (L)	0.11%
Tian Tian Limited(4)	Interest of controlled corporation(3)	858,392,000 (L)	68.26%
Pioneer Pharma (BVI) Co., Ltd.(4)	Beneficial owner	858,392,000 (L)	68.26%
Bank of Communications Trustee Limited	Trustee	63,088,000 (L)	5.02%

Remark:

The letter "L" denotes the long position in Shares.

Notes:

(1) Ms. Wu Qian holds 95% equity interest in Tian Tian Limited, which in turn holds 100% equity interest in Pioneer Pharma (BVI) Co., Ltd. Accordingly, Ms. Wu Qian is deemed to be interested in 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd..

(2) 9,714,000 Shares are held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Accordingly, Ms. Wu Qian is deemed to be interested in such 9,714,000 Shares.

(3) Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is deemed to be interested in 858,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.

(4) Mr. Li Xinzhou is a director of each of Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited.

Save as disclosed above, as at 30 June 2022, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

DIVIDEND

The Board recommended an interim dividend of HK$0.018 per ordinary Share, amounting to HK$22,634,000 in total to the Shareholders for the six months ended 30 June 2022 (2021: HK$70.6 million). The expected payment date of interim dividend is 20 October 2022.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 7 October 2022, 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, 6 October 2022.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA PIONEER PHARMA HOLDINGS LIMITED
(incorporated in the Cayman Islands as an exempted company with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Pioneer Pharma Holdings Limited (the "**Company**") and its subsidiaries set out on pages 25 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	NOTES	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	**659,410**	685,833
Cost of sales		**(303,050)**	(307,478)
Gross profit		**356,360**	378,355
Other income	4	**18,711**	10,186
Other gains and losses	5	**(5,877)**	(5,560)
Gain on disposal of an associate	13(a)	**37,825**	–
Impairment losses under expected credit loss model, net of reversal	6	**1,237**	(1,445)
Distribution and selling expenses		**(217,744)**	(244,495)
Administrative expenses		**(39,605)**	(40,224)
Finance costs		**(1,035)**	(481)
Share of (loss) profit of associates		**(185)**	1,677
Profit before tax		**149,687**	98,013
Income tax expense	7	**(28,121)**	(29,872)
Profit for the period	8	**121,566**	68,141
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
– Fair value (losses) gains on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**(17,051)**	12,000
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**(1,115)**	6,196
– Share of exchange difference of associates		**(580)**	(3,949)
Other comprehensive (expense) income for the period		**(18,746)**	14,247
Total comprehensive income for the period		**102,820**	82,388
Profit (loss) for the period attributable to:			
Owners of the Company		**122,218**	68,888
Non-controlling interests		**(652)**	(747)
		121,566	68,141
Total comprehensive income for the period attributable to:			
Owners of the Company		**103,472**	83,135
Non-controlling interests		**(652)**	(747)
		102,820	82,388
		RMB yuan	RMB yuan
Earnings per share			
Basic	10	**0.10**	0.06

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	NOTES	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	140,843	83,708
Right-of-use assets		17,989	7,393
Intangible assets		42,303	45,923
Interests in associates	12	7,877	89,465
Equity instruments at FVTOCI	13	159,200	60,300
Deposits paid for acquisition of property, plant and equipment and intangible assets		22,819	16,588
Goodwill	22	6,454	–
Deferred tax assets	14	6,060	11,958
		403,545	315,335
Current Assets			
Inventories		225,565	294,947
Trade and other receivables	15	266,281	306,260
Amount due from a related party	16	–	75
Financial assets at fair value through profit or loss ("**FVTPL**")	17	214,000	177,230
Tax recoverable		2,378	3,205
Pledged bank deposits		5,794	6,574
Bank balances and cash		193,054	224,851
		907,072	1,013,142
Current Liabilities			
Trade and other payables	18	179,053	297,051
Amounts due to related parties	16	1,662	2,033
Tax liabilities		23,291	24,609
Bank borrowings	19	70,815	13,866
Contract liabilities		12,766	10,523
Lease liabilities		76	113
		287,663	348,195
Net Current Assets		619,409	664,947
Total Assets less Current Liabilities		1,022,954	980,282

At 30 June 2022

	NOTES	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Capital and Reserves			
Share capital	*20*	77,399	77,566
Reserves		853,849	830,404
Equity attributable to owners of the Company		931,248	907,970
Non-controlling interests		19,583	3,016
Total Equity		950,831	910,986
Non-current liabilities			
Deferred tax liabilities	*14*	28,450	25,625
Deferred income		43,600	43,600
Lease liabilities		73	71
		72,123	69,296
		1,022,954	980,282

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory reserve RMB'000	Treasury share reserve RMB'000	Investments revaluation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2021 (Audited)	77,566	626,038	(57,119)	(1,961)	18,005	(170,464)	(155,087)	572,456	909,434	2,281	911,715
Profit (loss) for the period	–	–	–	–	–	–	–	68,888	68,888	(747)	68,141
Other comprehensive income	–	–	–	2,247	–	–	12,000	–	14,247	–	14,247
Total comprehensive income (expense) for the period	–	–	–	2,247	–	–	12,000	68,888	83,135	(747)	82,388
Appropriation to reserve	–	–	–	–	4,528	–	–	(4,528)	–	–	–
Reclassification of investments revaluation reserve to accumulated profits	–	–	–	–	–	–	163,987	(163,987)	–	–	–
Dividends recognised as distribution *(Note 9)*	–	–	–	–	–	–	–	(74,288)	(74,288)	–	(74,288)
Purchase shares under share award scheme	–	–	–	–	–	(5,303)	–	–	(5,303)	–	(5,303)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	–	–	2,550	2,550
At 30 June 2021 (Unaudited)	77,566	626,038	(57,119)	286	22,533	(175,767)	20,900	398,541	912,978	4,084	917,062
At 1 January 2022 (Audited)	77,566	626,038	(57,119)	(12,095)	22,096	(180,800)	10,175	422,109	907,970	3,016	910,986
Profit (loss) for the period	–	–	–	–	–	–	–	122,218	122,218	(652)	121,566
Other comprehensive loss	–	–	–	(1,695)	–	–	(17,051)	–	(18,746)	–	(18,746)
Total comprehensive income (expense) for the period	–	–	–	(1,695)	–	–	(17,051)	122,218	103,472	(652)	102,820
Appropriation to reserve	–	–	–	–	714	–	–	(714)	–	–	–
Dividends recognised as distribution *(Note 9)*	–	–	–	–	–	–	–	(65,290)	(65,290)	–	(65,290)
Purchase shares under share award scheme	–	–	–	–	–	(10,425)	–	–	(10,425)	–	(10,425)
Repurchase and cancellation of shares *(Note 20)*	(167)	(4,312)	–	–	–	–	–	–	(4,479)	–	(4,479)
Acquisition of subsidiaries *(Note 22)*	–	–	–	–	–	–	–	–	–	17,219	17,219
At 30 June 2022 (Unaudited)	77,399	621,726	(57,119)	(13,790)	22,810	(191,225)	(6,876)	478,323	931,248	19,583	950,831

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	NOTE	For the six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		**81,074**	27,437
INVESTING ACTIVITIES			
Placement of financial assets at FVTPL		**(487,200)**	(869,700)
Withdrawal of financial assets at FVTPL		**452,055**	881,870
Purchases of property, plant and equipment		**(38,701)**	(8,917)
Deposits paid for acquisition of subsidiaries		**(27,500)**	–
Interest received		**1,478**	400
Dividend received from an equity instrument at FVTOCI		**5,030**	2,000
Acquisition of equity instruments at FVTOCI		**–**	(14,000)
Proceeds from recovery of investment cost in an equity instrument at FVTOCI		**2,000**	1,600
Deposits paid for acquisition of property, plant and equipment		**–**	(4,262)
Proceed from disposals of property, plant and equipment		**483**	–
Placement of pledged bank deposits		**(6,103)**	(340)
Withdrawal of pledged bank deposits		**6,883**	8,074
Net cash inflow on acquisition of a subsidiary	22	**1,533**	–
Advance to a related party		**(8,624)**	(45)
Repayment from related parties		**8,601**	28,580
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(90,065)**	25,260
FINANCING ACTIVITIES			
Dividends paid		**(65,290)**	(74,288)
New bank borrowings raised		**56,971**	74,550
Payment for repurchase of ordinary shares under share award scheme		**(10,425)**	(5,303)
Repurchase and cancellation of shares		**(4,479)**	–
Repayment of lease liabilities		**(35)**	(7)
NET CASH USED IN FINANCING ACTIVITIES		**(23,258)**	(5,048)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(32,249)**	47,649
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**224,851**	115,009
Effect of foreign exchange rate changes		**452**	(111)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash		**193,054**	162,547

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 ("**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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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.

(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.

3. SEGMENT INFORMATION (Continued)

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 2022 (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	–	525,713	133,697	659,410
Segment result	–	347,227	9,133	356,360
Other income				18,711
Other gains and losses				(5,877)
Gain on disposal of an associate				37,825
Impairment losses under expected credit loss model, net of reversal				1,237
Distribution and selling expenses				(217,744)
Administrative expenses				(39,605)
Finance costs				(1,035)
Share of loss of associates				(185)
Profit before tax				149,687

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

3. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Types of sales		
Sales of pharmaceutical products	**562,773**	597,884
Sales of medical devices	**96,637**	87,949
	659,410	685,833
Types of major products		
Products sold via the provision of channel management services:		
Alcon	**133,697**	113,282
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**192,221**	225,511
Difene	**123,749**	100,462
Zanldip	**29,719**	66,381
Neoton	**23,769**	30,501
Polimod	**25,633**	25,595
Macmiror complex and Macmiror	**22,462**	25,936
FLEET Phospho-Soda	**7,516**	7,824
Others	**4,007**	2,392
Pharmaceutical products	**429,076**	484,602
Medical equipments and supplies	**96,637**	87,949
	525,713	572,551
Sales of personal protective materials	**–**	–
	659,410	685,833

For the six months ended 30 June 2022

3. SEGMENT INFORMATION (Continued)

Geographical information

All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC).

4. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**8,671**	5,094
Dividend received from an equity instrument at FVTOCI	**5,030**	2,000
Interest on bank deposits	**1,478**	400
Interest income on finance leases	**–**	186
Interest on amount due from a related party	**–**	884
Others	**3,532**	1,622
	18,711	10,186

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**(4,377)**	(9,805)
Gain on disposal of property, plant and equipment	**396**	–
Gain on fair value change of financial assets at FVTPL	**1,625**	2,570
(Impairment losses) reversal of impairment loss on interest in associates, net *(Note 12)*	**(3,521)**	3,308
Loss on dilution on interest in an associate	**–**	(1,633)
	(5,877)	(5,560)

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses (reversed) recognised on:		
– trade receivables	**(1,237)**	1,653
– finance lease receivables	**–**	(208)
	(1,237)	1,445

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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**29,521**	25,601
Under (over) provision in prior periods		
PRC Enterprise Income Tax	**416**	104
Hong Kong Profits Tax	**(2,714)**	(2,614)
PRC withholding tax on dividends	**(5,000)**	–
	(7,298)	(2,510)
Deferred tax *(Note 14)*		
Current period	**5,898**	6,781
	28,121	29,872

8. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	**1,241**	1,427
Other staff's retirement benefits scheme contributions	**4,616**	4,704
Other staff costs	**30,628**	32,123
Total staff costs	**36,485**	38,254
Write-down of inventories	**143**	9,487
Depreciation of right-of-use assets	**124**	94
Depreciation of property, plant and equipment	**3,822**	2,640
Amortisation of intangible assets	**3,620**	3,561

9. DIVIDENDS

During the current interim period, a final dividend of HKD0.064 (equivalent to RMB0.052) per share in respect of the year ended 31 December 2021 (2021: a final dividend of HKD0.075 (equivalent to RMB0.063) per share in respect of the year of 31 December 2020) were declared to shareholders of the Company. The aggregate amount of the dividends declared and paid in the interim period amounted to RMB65,290,000 (2021: RMB74,288,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.018 (equivalent to RMB0.016) per share amounting to HKD22,634,000 (equivalent to RMB19,756,000) (2021: HKD70,569,000) in aggregate will be paid to shareholders of the Company.

For the six months ended 30 June 2022

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	
	2022 **RMB'000** **(Unaudited)**	2021 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**122,218**	68,888
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,196,083,420**	1,205,435,602

For the six months ended 30 June 2022 and 2021, 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.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB38,701,000 (2021: RMB8,917,000) for acquisition of furniture and equipment and construction of factory plant.

For the six months ended 30 June 2022

12. 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 2022	31 December 2021
DMAX Co., Ltd ("**DMAX**")	Incorporated	Ordinary shares	Production zirconia–related dental products	Republic of Korea	**25%**	25%
Paragon Care Limited ("**Paragon**")	Incorporated	Ordinary shares	Supply of medical equipment, medical devices and consumable medical products	Australia	**N/A *(Note)***	17.45%
NovaBay Pharmaceuticals, Inc. ("**NovaBay**")	Incorporated	Ordinary shares	Development and commercialisation of its non-antibiotic anti-infective products	United States	**N/A *(Note)***	10.86%

Note:

During the current interim period, the Group has transferred the investment of Paragon and Novabay from interests in associates to equity instruments at FVTOCI in which the details have set out in note 13.

For the six months ended 30 June 2022

12. INTERESTS IN ASSOCIATES (Continued)

Indicated by the financial performance of NovaBay and DMAX, the Group performed impairment assessment for its recoverable amount in accordance with IAS 36 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 at the date of transfer as management considers that the cost of disposal is insignificant.

The recoverable amount of the investment in NovaBay before the transfer to equity instruments at FVTOCI have been determined based on the quoted market price less cost of disposal. The recoverable amount of the investment is lower than the corresponding carrying amount and accordingly, an impairment loss of approximately RMB3,521,000 is recognised (30 June 2021: a reversal of impairment loss of approximately RMB3,308,000) for the six months ended 30 June 2022.

The recoverable amount of the investment in DMAX is determined based on value in use and it is higher than the corresponding carrying amount and accordingly, no impairment is recognised for the six months ended 30 June 2022 and 2021.

13. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**80,895**	–
– Equity securities listed in America *(Note b)*	**8,705**	–
Unlisted investments:		
– Equity securities A *(Note c)*	**59,600**	50,300
– Equity securities B *(Note d)*	**10,000**	10,000
	159,200	60,300

Notes:

(a) As of 30 June 2022, the listed equity investment represented 9.72% 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 equity investment in Paragon is considered as an associate of the Group as of 31 December 2021. On 16 February 2022, the percentage of ordinary shares owned by the Group has diluted from 10.86% to 9.87% and the Group has lost the authority to nominate a director to the board of Paragon based on the relevant shareholders agreement. Accordingly, on 16 February 2022, the Group has transferred the investment in Paragon of RMB67,600,000 from interest in an associate to equity instruments at FVTOCI. A gain on disposal of the associate of RMB37,825,000 (2021: Nil) was recognised in profit or loss.

The Directors 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.

As at 30 June 2022, the shares of Paragon with fair value of RMB80,895,000 has been pledged as security for the bank borrowings of RMB13,844,000.

For the six months ended 30 June 2022

13. EQUITY INSTRUMENTS AT FVTOCI (Continued)

Notes: (Continued)

(b) As of 30 June 2022, the listed equity investment represented 9.7% ordinary shares of an entity listed in New York Stock Exchange, NovaBay. This investment was not held for trading, instead, it was held for long-term strategic purpose.

The equity investment in NovaBay is considered as an associate of the Group as of 31 December 2021. On 27 January 2022, Mr. Li has resigned as a director to the board of NovaBay and the Group is not able to exercise significant influence over NovaBay. Accordingly, on 27 January 2022, the Group has transferred the investment in NovaBay of RMB9,701,000 from interest in an associate to equity instruments at FVTOCI.

The Directors 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.

(c) The balances as of 30 June 2022 and 31 December 2021 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 2022, the Shanghai Fund received contributions from shareholders of RMB184 million (31 December 2021: RMB204 million), among which the Group injected RMB21.4 million (31 December 2021: RMB23.4 million) which accounted for 10% (31 December 2021: 10%) of the equity interest of the Yuhan 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.

(d) The balances as of 30 June 2022 and 31 December 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 2022, the Jiaxing Fund received contributions from shareholders of RMB151 million (31 December 2021: RMB151 million), among which the Group injected RMB10 million (31 December 2021: RMB10 million) which accounted for 6.62% (31 December 2021: 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.

14. DEFERRED TAXATION

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Deferred tax assets	**6,060**	11,958
Deferred tax liabilities	**(28,450)**	(25,625)
	(22,390)	(13,667)

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and preceding interim periods:

	ECL and inventories provision RMB'000	Unrealised profit on inventories RMB'000	Accrued expenses RMB'000	Undistributed profit of subsidiaries RMB'000	Deferred income RMB'000	Equity instruments at FVTOCI RMB'000	Total RMB'000
At 1 January 2021 (Audited)	12,453	1,638	5,433	(8,000)	(4,853)	–	6,671
Charge to profit or loss	(1,970)	(1,615)	(3,196)	–	–	–	(6,781)
At 30 June 2021 (Unaudited)	10,483	23	2,237	(8,000)	(4,853)	–	(110)
Charge to profit or loss	(1,456)	334	337	–	(6,047)	–	(6,832)
Charge to other comprehensive income for the year	–	–	–	–	–	(6,725)	(6,725)
At 31 December 2021 (Audited)	9,027	357	2,574	(8,000)	(10,900)	(6,725)	(13,667)
Charge to profit or loss	**(5,697)**	**(201)**	**–**	**–**	**–**	**–**	**(5,898)**
Charge to other comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**(2,825)**	**(2,825)**
At 30 June 2022 (Unaudited)	**3,330**	**156**	**2,574**	**(8,000)**	**(10,900)**	**(9,550)**	**(22,390)**

For the six months ended 30 June 2022

14. DEFERRED TAXATION (Continued)

As at the end of the current interim period, the Group has unused tax losses of approximately RMB29,712,000 (31 December 2021: RMB30,285,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
2022	–	1,267
2023	2,803	2,803
2024	7,037	8,322
2025	5,056	6,532
2026	10,249	11,361
2027	4,567	–
	29,712	30,285

As at the end of the current interim period, the aggregate amount of temporary differences associated with undistributable earnings of the PRC subsidiaries amounted to RMB529,819,000 (31 December 2021: RMB447,548,000). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting to RMB369,819,000 (2021: RMB287,548,000) as the Group has set aside such fund for the business development in the PRC and is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade receivables	244,129	272,084
Less: Allowance for credit losses	(19,007)	(20,244)
	225,122	251,840
Other receivables, prepayments and deposits	13,824	20,190
	238,946	272,030
Advance payment to suppliers	8,278	14,489
Other tax recoverable	19,057	19,741
Total trade and other receivables	266,281	306,260

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

For sales of medical devices, the Group allows the contract sums to be settled by instalments over a general period of 12 months 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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 to 60 days	146,230	185,363
61 days to 180 days	57,073	38,252
181 days to 1 year	15,958	26,513
1 year to 2 years	5,555	1,712
Over 2 years	306	–
	225,122	251,840

As at 30 June 2022, total bills received amounting to RMB21,537,000 (31 December 2021: RMB32,434,000) 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 1 year.

16. RELATED PARTIES DISCLOSURES

(a) The Group had the following material transactions with its related parties during the reporting period:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Purchase of finished goods from DMAX	**1,090**	923
Purchase of finished goods from NovaBay	**3,384**	1,158
Purchase of finished goods from COVEX, S.A	**452**	–
Interest on amount due from a related party	**–**	884

(b) Balances with related parties at end of reporting period are as follows:

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Name of the related parties		
Non-trade in nature		
Amount due from a related party – current		
Mr. Li – current *(Note a)*	**–**	75
Amount due to a related party – current		
Mr. Li – current *(Note a)*	**398**	–
Trade in nature		
Amounts due to a related party – current		
NovaBay *(Note b)*	**1,247**	2,033
Amounts due to a related party – current		
COVEX, S.A. *(Note c)*	**17**	–

Notes:

(a) The balances as at 30 June 2022 and 31 December 2021 are unsecured, interest-free and repayable on demand.

(b) Amount represents trade payables for purchase of finished goods during the period with credit term of 60 days and the balance is aged within 180 days.

(c) Amount represents trade payables for purchase of finished goods during the period with credit term of 180 days and the balance is aged within 90 days.

16. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	**3,691**	3,075
Post employee benefits	**369**	206
	4,060	3,281

The Group determines remuneration of key management personnel by reference to the performance of individuals and market trend.

17. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000
Unlisted investments:		
– Structured bank deposits	**214,000**	177,230

During the period ended 30 June 2022, the Group entered into several contracts of structured deposits with various banks in the PRC. The structured bank deposits earn minimum return of 1.35% to 3.0% per annum (31 December 2021: 0.8% to 3.1% per annum), while the total expected return is up to 2.6% to 4.0% per annum (31 December 2021: 3.25% to 4.0% per annum). The contracts are with maturity on or before 19 December 2022 or are redeemable on demand (31 December 2021: on or before 31 March 2022 or are redeemable on demand).

For the six months ended 30 June 2022

18. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	126,540	235,605
Payroll and welfare payables	4,235	3,900
Other tax payables	913	292
Marketing service fee payables	8,494	10,294
Deposits received from distributors	11,978	13,106
Other payables and accrued charges	26,893	33,854
	179,053	297,051

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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
0 to 90 days	120,839	234,572
91 to 180 days	360	249
181 to 365 days	4,688	132
Over 365 days	653	652
	126,540	235,605

19. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans to finance its business operation of approximately RMB56,971,000 (30 June 2021: RMB74,550,000). The amounts are due within one year. The effective interest on the Group's fixed-rate borrowings are ranging from 0.95% to 3.07% per annum (31 December 2021: 0.78% to 2.71% per annum).

20. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised			
At 1 January 2021, 30 June 2021, 31 December 2021 and 30 June 2022	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2021 (Audited), 30 June 2021 (Unaudited), and 31 December 2021 (Audited)	1,260,167,000	12,601,670	77,566
Shares repurchased and cancelled *(Note)*	(2,720,000)	(27,200)	(167)
At 30 June 2022 (Unaudited)	1,257,447,000	12,574,470	77,399

Note:

During the current interim period, the Company repurchased and cancelled 2,720,000 of its own shares with considerations RMB4,479,000 (equivalent to HKD5,444,000) (2021: Nil) through the Stock Exchange.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at 30.6.2022	Fair value as at 31.12.2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Equity instruments at FVTOCI	9.72% equity investment in Paragon – RMB80,895,000	N/A	Level 1	Quoted bid prices in active market	Not applicable
	9.7% equity investment in NovaBay – RMB8,705,000	N/A			
2) Financial assets at FVTPL	Structured bank deposits – RMB214,000,000	Structured bank deposits – RMB177,230,000	Level 3	Discounted cash flows	Expected yields of money market instruments and debt instruments invested by bank and a discount rate that reflects the credit risk of the bank *(Note a)*

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial asset	Fair value as at 30.6.2022	Fair value as at 31.12.2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
3) Equity instruments at FVTOCI	10% equity investment in the Shanghai Fund – RMB59,600,000 6.62% equity investment in the Jiaxing Fund – RMB10,000,000	10% equity investment in the Shanghai Fund – RMB50,300,000 6.62% equity investment in the Jiaxing Fund – RMB10,000,000	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies and adjusted by discount on lack of marketability	The ratio of market capital to net book value from comparable companies is determined by the mean of comparable companies as at the valuation date *(Note b)* Discount for lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 20% *(Note b)*

Notes:

(a) No sensitivity is presented as the directors of the Company considered that the slightly change in relevant inputs would not have a significant impact to the fair values.

(b) The higher the ratio of market capital to net book value from comparable companies, the higher the fair value of the equity instrument, and vice versa. The higher of the discount for lack of marketability, the lower the fair value of the equity instrument, and vice versa. No sensitivity is presented as the directors of the Company considered that the slightly change in relevant inputs would not have a significant impact to the fair values.

There were no transfers between levels in the both periods.

For the six months ended 30 June 2022

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of level 3 fair value measurements of financial assets

Unrealised fair value gains of RMB11,300,000 (30 June 2021: RMB12,000,000) included other comprehensive income related to equity instruments at FVTOCI held at the end of the reporting period and is reported as changes of ‘investments revaluation reserve’.

	Unlisted equity instrument RMB’000	Financial assets at FVTPL RMB’000
At 1 January 2021	33,900	139,600
Acquisition of equity instruments at FVTOCI	18,000	–
Proceeds from recovery of investment cost in an equity instrument at FVTOCI	(1,600)	–
Total gains recognised in profit or loss	–	2,570
Total gains recognised in other comprehensive income	12,000	–
Placement of financial assets at FVTPL	–	869,700
Withdrawal of financial assets at FVTPL	–	(881,870)
At 30 June 2021	62,300	130,000
At 1 January 2022	**60,300**	**177,230**
Proceeds from recovery of investment cost in an equity instrument at FVTOCI	**(2,000)**	**–**
Total gains recognised in profit or loss	**–**	**1,625**
Total gains recognised in other comprehensive income	**11,300**	**–**
Placement of financial assets at FVTPL	**–**	**487,200**
Withdrawal of financial assets at FVTPL	**–**	**(452,055)**
At 30 June 2022	**69,600**	**214,000**

Except as detailed in above table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

22. ACQUISITION OF A SUBSIDIARY

On 23 February 2022, Xiantao Pioneer Medical Services Co. Ltd. ("**Xiantao Pioneer**"), a subsidiary of the Company, Tiandao Medical Co., Ltd ("**Tiandao Medical**") and Mr. Xiao Guoguang ("**Mr. Xiao**"), a director of the Company, entered into a capital injection agreement, pursuant to which, Xiantao Pioneer intends to increase the registered capital of Hunan Tiantong Environmental Protection Co., Ltd. ("湖南天童環保有限公司") ("**Hunan Tiantong**") by RMB27.5 million and hold 55% equity interests of Hunan Tiantong after completion of the transaction. Hunan Tiantong is a company with limited liability incorporated in China, which is a conglomerate covering research and development of environmental protection technology, industrial production, and marketing and trading. The father-in-law and the mother-in-law of Mr.Li, and Mr. Xiao have beneficial interests in Hunan Tiantong.

The consideration has been paid by several batches, and the transaction has been completed on 17 June 2022. Upon completion of the transaction, Hunan Tiantong became an indirect subsidiary of the Company. The acquisition has been accounted for as acquisition of business using the acquisition method on a provisional basis.

	RMB'000
Consideration	27,500

Assets and liabilities recognised on provisional basis at the date of acquisition

	RMB'000
Property, plant and equipment	21,272
Deposits paid for acquisition of property, plant and equipment	11,892
Right-of-use assets	10,720
Inventories	554
Trade and other receivables	3,052
Bank balances and cash	1,533
Trade and other payables	(10,738)
Contract liabilities	(20)
	38,265

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB3,052,000 at the date of acquisition had gross contractual amounts of RMB3,052,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

22. ACQUISITION OF A SUBSIDIARY (Continued)

Non-controlling interests

The non-controlling interests in Hunan Tiantong recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Hunan Tiantong amounted to RMB17,219,000.

Goodwill arising on acquisition

	RMB'000
Consideration	27,500
Plus: non-controlling interests (45% in Hunan Tiantong)	17,219
Less: recognised amounts of net assets acquired	(38,265)
Goodwill arising on acquisition	6,454

Goodwill arose on the acquisition of Hunan Tiantong because the acquisition included the technology of acid-free cleaning of ECD electrocatalytic steel strips and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The fair value and classification of assets have been determined on the provisional basis awaiting further information and finalisation of the valuation. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash inflow (outflow) arising on acquisition of Hunan Tiantong

	RMB'000
Cash consideration	27,500
Less: deposits paid for acquisition of subsidiaries	(27,500)
Bank balances and cash acquired	1,533

22. ACQUISITION OF A SUBSIDIARY (Continued)

Impact of acquisition on the results of the Group

The amount included in the profit for the interim period is insignificant attributable to the additional business generated by Hunan Tiantong. No revenue generated from Hunan Tiantong for the interim period.

Had the acquisition of Hunan Tiantong been completed on 1 January 2022, revenue for the interim period of the Group would have been RMB659,410,000, and the profit for the interim period would have been RMB119,260,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Hunan Tiantong been acquired at the beginning of the interim period, the directors of the Company calculated depreciation and amortisation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.