Shanghai Pioneer Holding Ltd

上海先鋒控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 01345

先機為重

Pioneering Success

鋒行天下

2023

INTERIM REPORT

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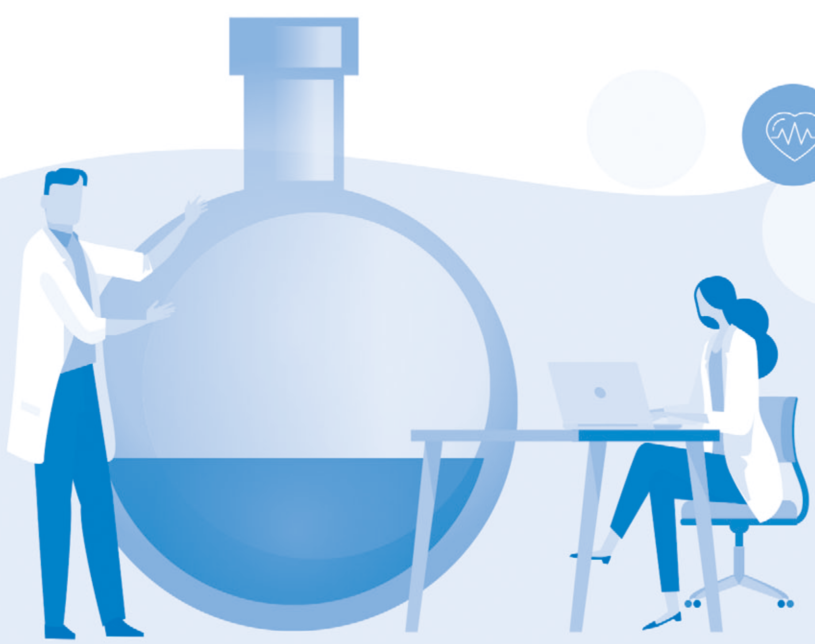

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Xinzhou *(Chairman)*
Mr. Xiao Guoguang
Mr. Yang Yuewen

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. Li Xinzhou
Ms. Ng Ka Man

COMPANY SECRETARY

Ms. Ng Ka Man

REGISTERED OFFICE

One Nexus Way, Camana Bay
Grand Cayman KY1-9005
Cayman Islands

CORPORATE HEADQUARTER

No.15, Lane 88 Wuwei Road
Putuo District
Shanghai
PRC
Tel: (86) 021 50498986

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

Intertrust Corporate Services (Cayman) Limited
One Nexus Way, Camana Bay
Grand Cayman KY1-9005
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

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 2023 was RMB736.9 million, which represents a 11.8% increase compared to RMB659.4 million for the same period last year.
- Gross profit of the Group for the six months ended 30 June 2023 was RMB316.4 million, which represents a 11.2% decrease compared to RMB356.4 million for the same period last year.
- Net profit of the Group for the six months ended 30 June 2023 was RMB72.3 million, which represents a 40.6% decrease compared to RMB121.6 million for the same period last year.
- Basic earnings per share of the Company was RMB0.07 for the six months ended 30 June 2023, which represents a 30% decrease compared to RMB0.1 for the same period last year.

	For the six months ended 30 June				
	2019 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	**2023** **RMB'000** **(unaudited)**
Operating results					
Revenue	620,253	622,495	685,833	659,410	**736,911**
Gross profit	305,051	251,676	378,355	356,360	**316,427**
Profit before income tax	103,578	60,097	98,013	149,687	**90,412**
Profit for the period	98,151	30,353	68,141	121,566	**72,260**
Profit for the period, all attributable to the owners of the Company	98,657	30,767	68,888	122,218	**77,001**

Company Overview

Shanghai Pioneer Holding Ltd (the "**Company**" or "**Pioneer Holding**") was founded in 1996. As a leading comprehensive marketing, promotion and channel management service provider dedicated to imported pharmaceutical products and medical devices in China, Pioneer Holding constantly introduces products embedded with technologies that represent the international advanced level into the Chinese pharmaceutical market for the benefit of patients. On 5 November 2013, Pioneer Holding was successfully listed on the main board of the Hong Kong Exchange with stock code HK.01345.

As an international company with a global vision, Pioneer Holding has established long-term and stable as well as mutually beneficial cooperation with a number of world-renowned pharmaceutical and medical device manufacturers, successfully built a product introduction platform for sustainable development and set up a sales network covering the whole market in China. With long-term efforts, Pioneer Holding has created a unique brand foundation.

Pioneer Holding has successively established long-term and solid co-operative relationships with several internationally renowned pharmaceutical and medical device manufacturers, including Alcon in the United States, Alfasigma in Italy, Aenova in Germany, Polichem in Switzerland, Fleet in the United States, Ivoclar Vivadent in Liechtenstein (Wieland in Germany), NovaBay Pharmaceuticals, Inc. in the United States, etc. Pioneer Holding has a product portfolio of pharmaceutical products covering treatment areas such as ophthalmology, anti-inflammatory and pain management, cardiovascular, gastroenterology, immunomodulatory and gynecology; and medical devices covering several medical specialties including ophthalmology, orthopedics, odontology and wound care products. In this regard, Pioneer Holding has been making efforts to enhance the market value of these brands.

Pioneer Holding has established stable and amicable co-operative relationship with more than 500 major pharmaceutical business companies across China, whereby its products have reached tens of thousands of medical institutions and pharmacies nationwide.

In addition, Pioneer Holding has gradually conducted a globalisation strategy by investing in overseas partner companies or innovative research and development companies, and has successively acquired some equity interests in NovaBay, a high-end wound care products company in the United States, Paragon Care Limited, a medical device company in Australia, and DMAX Co., Ltd. ("**DMAX Co**"), a reputable manufacturer of zirconia products in Korea. Through overseas investments, Pioneer Holding has further deepened its co-operation with overseas companies and is gradually moving towards the goal of becoming an international company.

In recent years, Pioneer Holding has been implementing the strategy of industrial chain extension and diversification by setting up the manufacturing base in Rongchang, Chongqing, which was put into operation in 2022. Meanwhile, the Company has acquired Hunan Tiantong Environmental Protection Co., Ltd. ("**Hunan Tiantong**") to expand its business into the environmental protection field, making positive contributions to the realisation of the "Double Carbon" target of the country.

Management Discussion and Analysis

REVIEW OF OPERATIONS

Since 2023, with China's deepening medical reform, continuing introduction of new policies, promulgation of new regulations and implementation of new pilots, the pharmaceutical industry is undergoing profound changes. Looking back on the overall situation of the industry, the control of medical insurance costs has tended to be refined with the incremental improvement of the National Medical Security Administration System. The volume-based procurement ("**VBP**") program has continued to be implemented across the country, and the reform of VBP has entered into a new stage of normalization and institutionalization after four years of exploration and practice, forming a pattern in which chemical drugs, biologics and Chinese patent medicines all have varieties in the reform of VBP, and the national, provincial, municipal and inter-regional alliances are promoting the reform in a concerted manner at multiple levels. Although the VBP will bring pressure on drug prices, it will still help further expand the accessibility of patients and further release the outstanding demand for healthcare. Meanwhile, considering that 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, the overall industry can still maintain a stable development.

Specifically for the Company and its subsidiaries (the "**Group**"), it will be benefitted in the long run from the policies regarding optimization of the approval process and accreditation of international clinical trial data, as the Group is allowed to expand the selection pool of products. As provinces strengthen implementation of national policy requirements on medical insurance cost control, the drugs and medical devices of the Group will facilitate the utilization efficiency of medical insurance funds by virtue of their definite efficacy and excellent quality, amplifying its competitive advantages in the market. The Group will leverage its advantages in product quality and brand image to strengthen the academic promotion of products, striving to make progress amidst a changing and challenging market environment.

During the Reporting Period, the Group has ensured the stable market layout of the products by reasonably implementing the promotion strategy. With the adjustment and optimization of COVID-19's prevention and control measures in Mainland China in December 2022 and the continued recovery of domestic economy, the Group has further strengthened the marketing efforts of its products to expand market coverage and increase product sales. On the one hand, the Company has actively sorted out the market potential and promotion direction of its products, continuously increased the frequency and depth of academic promotion activities; and on the other hand, it has excavated and expanded new pipelines and businesses, which has effectively ensured the normal and stable development of the Group's business. The Group's drugs and medical devices will increase the efficiency of medical insurance funds application by virtue of their definite efficacy and excellent quality, expand their patient accessibility and amplify its competitive advantages in the market. The Group will leverage on its advantages in product quality and brand image to seize opportunities to further develop its business amidst a changing and challenging market environment.

1. Product Development

As at 30 June 2023, 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:

Category	For the six months ended 30 June			
	2023 RMB'000 (unaudited)	**Percentage of the Group's Total Revenue/ Gross Profit (%)**	2022 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	**204,856**	**27.8**	429,076	65.1
Medical Devices	**397,815**	**54.0**	96,637	14.7
Gross Profit:				
Pharmaceutical Products	**127,682**	**40.4**	292,422	82.1
Medical Devices	**181,267**	**57.3**	54,805	15.4

During the Reporting Period, as a result of various factors such as 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 has ensured a stable market position for its products by adopting a sensible promotion strategy, highlighting the products' superior quality and clear clinical effectiveness. During the Reporting Period, revenue generated from this segment was RMB204.9 million, representing 27.8% of the Group's revenue for the Reporting Period. Gross profit was RMB127.7 million, representing 40.4% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene decreased by 61% compared to the same period of last year. During the outbreak of COVID-19 in Mainland China in December 2022, medical institutions in Mainland China purchased a large number of antipyretic and analgesic medicines for their inventories, and such drug inventories were gradually consumed and used only during the Reporting Period, which has led to the decrease in the procurement of related drugs for the Reporting Period. Moreover, under the influence of the VBP and the overdraft of the medical insurance funds in several provinces, the access times of products in some provinces have been extended, resulting in a narrower development window period. As a result of the above, the overall sales volume of Difene declined during the Reporting Period. The Company believes that the growth of sales will recover in the future and the market share will be further expanded with the continuous adoption of the sales strategy of expanding distribution channels and striving to increase the sales to the successfully developed medical institutions, coupled with its unique competitive advantage of dual-release formulation.

Meanwhile, the Group's products in various fields, such as gynecological product Macmiror complex and cardiovascular product Zanidip, have also demonstrated high growth potential. The Group has laid a solid ground for the academic promotion of its product. The Group will strengthen its marketing and promotion activities targeted at hospitals and departments covered by its sales network, improved the product coverage over hospitals by furthering its sales channels and endeavored to grow its share in the gynecology therapeutic market. Against the backdrop of the competitive pharmaceutical market and constant changes of policies, the Group will take full advantage of the competitive edges and market development opportunities of these products, so as to continuously increase their contribution to the Group's revenue. Through increased marketing activities, such as education programs on disease treatment and prevention for doctors and patients, the Group will further increase the market influence of its products.

For the Reporting Period, the Group's revenue generated from sales of medical devices via the provision of comprehensive marketing, promotion and channel management services increased by 312% compared to the same period last year to RMB397.8 million, representing 54% of the Group's revenue for the Reporting Period. Gross profit amounted to RMB181.3 million, representing 57.3% of the Group's gross profit for the Reporting Period.

As stated in the Company's 2022 Annual Report, the Company has acquired the licensing right of several medical device products in Shanghai and Zhejiang in 2022. During the Reporting Period, the Company's medical device business has shown a strong power, forming a good pipeline for equal development of drugs and medical devices. The Group actively deploys in high-quality tracks with high marketability and high potential and no centralized procurement risk, such as ophthalmology and odontology. The sales of ophthalmic surgical consumables and dental consumables of the Group still achieved solid growth. The sales of NeutroPhase (a wound cleanser) has also appeared a rapid growth trend. The Group will continue to improve the market layout of medical device products, strengthen its promotion activities, and continuously improve the contribution of this business segment to the Group's revenue.

1.2 Products Sold via the Provision of Channel Management Services:

	For the six months ended 30 June			
Category	**2023 RMB'000 (unaudited)**	**Percentage of the Group's Total Revenue/ Gross Profit (%)**	2022 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	**134,240**	**18.2**	133,697	20.3
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**7,478**	**2.4**	9,133	2.6

For the Reporting Period, the Group's revenue generated from this segment increased by 0.4% compared to the same period last year to RMB134.2 million, representing 18.2% of the Group's revenue for the Reporting Period. Gross profit decreased by 18.1% compared to the same period last year to RMB7.5 million, representing 2.4% 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, 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 complex 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 the 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. Significant Investment

As at 30 June 2023, the Group did not have any investment in an investee company with a value of 5% or more of the Company's total assets.

3.1 Investment in DMAX Co

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

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

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

3.2 Investment in Shanghai Yuhan Fund (limited partnership) and Jiaxing Yuhan Fund (limited partnership)

As of 30 June 2023, 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 RMB30.2 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2023, 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 2023, the Group recorded an unrealized loss RMB13.1 million of its investment in the fund, and has received entitlement distribution RMB0.43 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 RMB9.5 million, has been recognized as equity instrument at FVTOCI. As at 30 June 2023, 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 the fund or speculating on its market performance in any short run, and intends to lever on its role in the fund for exploring and ascertaining targets of growth potential in the pharmaceutical industry for business partnering and investment opportunities, and for development goals in the long run.

3.3 Investment in Rongchang Production 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 38,972m^2 and has a transfer price of RMB5,998,800. In March 2019, Chongqing Qianfeng entered into a state-owned construction land use right transfer contract with the local government and obtained the state-owned construction land use right of the land.

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

This project is a significant strategic plan of the Group, which will direct the Group's transformation from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development, production and sales. Through such series of measures, the Group hopes to respond to the national policy of industry development by 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.

3.4 Investment in Hunan Tiantong

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 increased the capital of Hunan Tiantong by RMB27.5 million and held 55% of its equity interests. Upon completion of the capital increase, Hunan Tiantong became a subsidiary of the Company. In December 2022, the Group, through Xiantao Pharma, entered into a capital increase agreement with Tiandao Medical and Mr. Xiao to increase the capital of Hunan Tiantong by RMB49.75 million and held 75% of its equity interests.

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 environment 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'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 is expected to bring attractive profits and return for the Group and the shareholders as a whole.

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 RMB736.9 million, representing a 11.8% increase from RMB659.4 million for the six months ended 30 June 2022. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB204.9 million, representing a 52.3% decrease from RMB429.1 million for the six months ended 30 June 2022, primarily due to the downward adjustment of sales prices of certain products during the Reporting Period, as well as the impact of slow recovery of market sales of individual products after the COVID-19 epidemic. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB397.8 million, representing a 311.7% increase from RMB96.6 million for the six months ended 30 June 2022, primarily due to the increased sales during the Reporting Period after the Group acquired the licensing rights of several medical device products in Shanghai and Zhejiang region in 2022. Revenue generated from products sold via the provision of channel management services in the Reporting Period was RMB134.2 million, representing a 0.4% increase from RMB133.7 million for the six months ended 30 June 2022.

Cost of sales

The Group's cost of sales in the Reporting Period was RMB420.5 million, representing a 38.8% increase from RMB303.1 million for the six months ended 30 June 2022, primarily due to the increase in cost of sales for medical device products 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 RMB77.2 million, representing a 43.5% decrease from RMB136.7 million for the six months ended 30 June 2022. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB216.5 million, representing a 417.7% increase from RMB41.8 million for the six months ended 30 June 2022, primarily due to the increase in sales of medical device products during the Reporting Period. Cost of sales in products sold via the provision of channel management services in the Reporting Period was RMB126.8 million, representing a 1.8% increase from RMB124.6 million for the six months ended 30 June 2022.

Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB316.4 million, representing a 11.2% decrease from RMB356.4 million for the six months ended 30 June 2022. The Group's average gross profit margin in the Reporting Period was 42.9%, representing a decrease from 54% for the six months ended 30 June 2022. 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 62.3%, representing a decrease from 68.2% for the six months ended 30 June 2022, primarily due to the higher sales proportion of products with lower gross profit margins during the Reporting Period. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 45.6%, representing a decrease from 56.7% for the six months ended 30 June 2022, primarily due to the higher sales proportion of products with relatively lower gross profit margins during the Reporting Period. The Group's gross profit margin for products sold via the provision channel management services in the Reporting Period was 5.6%, representing a decrease from 6.8% for the six months ended 30 June 2022.

Other income

The Group's other income in the Reporting Period was RMB48.5 million, representing a 159.4% increase from RMB18.7 million for the six months ended 30 June 2022, primarily due to the increase in government subsidies.

Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB217.1 million, representing a 0.3% decrease from RMB217.7 million for the six months ended 30 June 2022. Distribution and sale expenses in the Reporting Period were 29.5% of the revenue, representing a decrease from 33.0% for the six months ended 30 June 2022.

Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB54.0 million, representing a 36.2% increase from RMB39.6 million for the six months ended 30 June 2022. Administrative expenses in the Reporting Period were 7.3% of the revenue, representing an increase from 6.0% for the six months ended 30 June 2022.

Finance costs

The Group's finance costs in the Reporting Period were RMB1.3 million, representing a 23.9% increase from RMB1.0 million for the six months ended 30 June 2022, primarily due to the increase in bank borrowings during the Reporting Period.

Income tax expense

The Group's income tax expense in the Reporting Period was RMB18.2 million, representing a 35.5% decrease from RMB28.1 million for the six months ended 30 June 2022. The Group's effective income tax rate for the six months ended 30 June 2022 and the Reporting Period were 18.8% and 20.1%, 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 Area Pioneer Pharma Co., Ltd., (那曲地區先鋒醫藥有限公司) and Chongqing Pioneer Pharma Co., Ltd., was subject to enterprise income tax rate of 25%.

Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB72.3 million, representing a 40.6% decrease from RMB121.6 million for the six months ended 30 June 2022. The Group's net profit margin in the Reporting Period was 9.8%, representing a decrease from 18.4% for the six months ended 30 June 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash position

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 2023 were RMB90.8 million, representing a decrease from RMB214.0 million as at 31 December 2022.

Inventories

The Group's inventory balance as at 30 June 2023 was RMB299.2 million, representing a 6.8% decrease from RMB321.1 million as at 31 December 2022, primarily due to the enhanced management of inventory turnover efficiency during the Reporting Period.

Trade and other receivables

The Group's trade and other receivables as at 30 June 2023 were RMB569.6 million, representing an 18.8% increase from RMB479.3 million as at 31 December 2022. The trade receivables turnover as of 30 June 2023 was 110.3 days, representing an increase from 80.6 days as at 31 December 2022, primarily due to relatively slow turnover rate of the account receivable for several newly added medical device businesses during the Reporting Period.

Trade and other payables

The Group's trade and other payables as at 30 June 2023 were RMB256.6 million, representing a 33.4% decrease from RMB385.2 million as at 31 December 2022. The Group's trade payables turnover as at 30 June 2023 was 122.0 days, representing a decrease from 137.3 days as at 31 December 2022, 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 RMB90.0 million as at 30 June 2023 as compared to RMB28.9 million as at 31 December 2022. On 30 June 2023, the effective interest rate of the Group's bank borrowings ranged from 2.05% to 3.95%. The bank borrowings were denominated in RMB. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 6.3% as of 30 June 2023, as compared to 1.8% as at 31 December 2022.

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 2023			
Bank borrowings	**90,023**	**–**	**90,023**
Trade payables	**237,250**	**–**	**237,250**
Amount due to related parties	**5,345**	**–**	**5,345**
Lease liabilities	**752**	**8,166**	**8,918**
As at 31 December 2022			
Bank borrowings	28,855	–	28,855
Trade payables	323,522	–	323,522
Amount due to a related party	5,827	–	5,827
Lease liabilities	731	8,007	8,738

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 arises.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2023, the Group had a total of 361 employees. For the Reporting Period, staff costs of the Group were RMB40.2 million as compared to RMB36.5 million for the six months ended 30 June 2022. 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

DIVIDEND

The board (the "**Board**") of the directors (the "**Directors**") of the Company recommended an interim dividend of HK$0.024 per ordinary share of the Company, amounting to HK$30,179,000 in total to shareholders of the Company for the six months ended 30 June 2023. The expected payment date of the interim dividend is 20 October 2023.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 6 October 2023, 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, 5 October 2023.

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 2023. 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 standard set out in the Model Code throughout the six months ended 30 June 2023.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), which comprises two independent non-executive Directors, namely Mr. Wong Chi Hung, Stanley (Chairman) and Mr. Zhang Hong, and one non-executive Director, namely 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 bridge between the Board and the external auditor in matters within the scope of Group's audit.

The unaudited interim results and interim report of the Group for the six months ended 30 June 2023 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 shares had been granted by the Company and no granted awarded shares had been vested under the Share Award Scheme during the six months ended 30 June 2023. As of the date of this report, 80,276,000 shares of the Company (the "**Shares**") (approximately 6.38% 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 72,251,000 Shares and 80,276,000 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 scheme.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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 2023.

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 2023, 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]	834,795,000 (L)	66.39%
	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 833,392,000 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 834,795,000 Shares.

Interests in the Associated Corporations of the Company

Name of Directors	Name of Associated Corporations	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Li Xinzhou	Tian Tian Limited[1]	Beneficial owner	5 (L)	5%
		Interest of spouse	95 (L)	95%

Remark:

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

Note:

(1) Mr. Li, together with his spouse Ms. Wu Qian hold 100% shares in Tian Tian Limited and Tian Tian Limited holds 100% shares in Pioneer Pharma (BVI) Co. Ltd.

Save as disclosed above, as at 30 June 2023, 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 2023 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 2023, 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]	833,392,000 (L)	66.28%
	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]	833,392,000 (L)	66.28%
Pioneer Pharma (BVI) Co., Ltd.[4]	Beneficial owner	833,392,000 (L)	66.28%
Bank of Communications Trustee Limited	Trustee	80,276,000 (L)	6.38%

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 833,392,000 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 833,392,000 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 2023, 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.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SHANGHAI PIONEER HOLDING LTD
(incorporated in the Cayman Islands as an exempted company with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shanghai Pioneer Holding Ltd (the "**Company**") and its subsidiaries set out on pages 21 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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
29 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	For the six months ended 30 June 2023 RMB'000 (Unaudited)	 2022 RMB'000 (Unaudited)
Revenue	3	**736,911**	659,410
Cost of sales		**(420,484)**	(303,050)
Gross profit		**316,427**	356,360
Other income	4	**48,528**	18,711
Other gains and losses	5	**(1,333)**	(5,877)
Gain on disposal of an associate		**–**	37,825
Impairment losses under expected credit loss model, net of reversal	6	**(762)**	1,237
Distribution and selling expenses		**(217,147)**	(217,744)
Administrative expenses		**(53,959)**	(39,605)
Finance costs		**(1,282)**	(1,035)
Share of losses of associates		**(60)**	(185)
Profit before tax		**90,412**	149,687
Income tax expense	7	**(18,152)**	(28,121)
Profit for the period	8	**72,260**	121,566
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
– Fair value losses on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**(33,764)**	(17,051)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		**3**	(1,115)
– Share of exchange difference of associates		**(83)**	(580)
Other comprehensive expense for the period		**(33,844)**	(18,746)
Total comprehensive income for the period		**38,416**	102,820
Profit for the period attributable to:			
Owners of the Company		**77,001**	122,218
Non-controlling interests		**(4,741)**	(652)
		72,260	121,566

For the six months ended 30 June 2023

	NOTE	For the six months ended 30 June **2023** **RMB'000** **(Unaudited)**	 2022 RMB'000 (Unaudited)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**43,157**	103,472
Non-controlling interests		**(4,741)**	(652)
		38,416	102,820
		RMB yuan	RMB yuan
Earnings per share			
Basic	*10*	**0.07**	0.10

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	11	**214,237**	194,249
Right-of-use assets		**26,648**	27,316
Intangible assets		**33,698**	37,048
Interests in associates	12	**7,735**	7,879
Equity instruments at FVTOCI	13	**111,114**	148,278
Deposits paid for acquisition of property, plant and equipment and intangible assets		**7,157**	7,157
Goodwill	22	**6,213**	6,213
Deferred tax assets	14	**1,823**	8,598
		408,625	436,738
Current Assets			
Inventories		**299,153**	321,132
Trade and other receivables	15	**569,640**	479,316
Financial assets at fair value through profit or loss ("**FVTPL**")	17	**42,000**	105,000
Tax recoverable		**3,688**	3,575
Pledged bank deposits		**19,740**	11,898
Cash and cash equivalents		**90,831**	214,008
		1,025,052	1,134,929
Current Liabilities			
Trade and other payables	18	**256,618**	385,247
Amounts due to related parties	16	**5,345**	5,827
Tax liabilities		**5,897**	39,701
Bank borrowings	19	**90,023**	28,855
Contract liabilities		**14,187**	12,485
Lease liabilities		**752**	731
		372,822	472,846
Net Current Assets		**652,230**	662,083
Total Assets less Current Liabilities		**1,060,855**	1,098,821

At 30 June 2023

	NOTES	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Capital and Reserves			
Share capital	*20*	77,399	77,399
Reserves		904,713	930,405
Equity attributable to owners of the Company		982,112	1,007,804
Non-controlling interests		10,014	14,685
Total Equity		992,126	1,022,489
Non-current liabilities			
Deferred tax liabilities	*14*	18,053	24,725
Deferred income		42,510	43,600
Lease liabilities		8,166	8,007
		68,729	76,332
		1,060,855	1,098,821

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	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 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
At 1 January 2023 (Audited)	77,399	621,726	(57,119)	(14,276)	22,536	(202,099)	(12,672)	572,309	1,007,804	14,685	1,022,489
Profit (loss) for the period	-	-	-	-	-	-	-	77,001	77,001	(4,741)	72,260
Other comprehensive loss	-	-	-	(80)	-	-	(33,764)	-	(33,844)	-	(33,844)
Total comprehensive income (expense) for the period	-	-	-	(80)	-	-	(33,764)	77,001	43,157	(4,741)	38,416
Appropriation to reserve	-	-	-	-	6,187	-	-	(6,187)	-	-	-
Dividends recognised as distribution *(Note 9)*	-	-	-	-	-	-	-	(51,456)	(51,456)	-	(51,456)
Purchase shares under share award scheme	-	-	-	-	-	(17,393)	-	-	(17,393)	-	(17,393)
Capital injection by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	70	70
At 30 June 2023 (Unaudited)	77,399	621,726	(57,119)	(14,356)	28,723	(219,492)	(46,436)	591,667	982,112	10,014	992,126

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	NOTE	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(149,379)**	81,074
INVESTING ACTIVITIES			
Placement of financial assets at FVTPL		**(42,000)**	(487,200)
Withdrawal of financial assets at FVTPL		**106,213**	452,055
Purchases of property, plant and equipment		**(24,909)**	(38,701)
Purchases of intangible assets		**(65)**	–
Deposits paid for acquisition of subsidiaries		**–**	(27,500)
Interest received		**643**	1,478
Dividend received from an equity instrument at FVTOCI		**1,754**	5,030
Proceeds from recovery of investment cost in an equity instrument at FVTOCI		**–**	2,000
Proceed from disposals of property, plant and equipment		**–**	483
Placement of pledged bank deposits		**(27,393)**	(6,103)
Withdrawal of pledged bank deposits		**19,551**	6,883
Net cash inflow on acquisition of a subsidiary	*22*	**–**	1,533
Advance to related parties		**(2,480)**	(8,624)
Repayment from related parties		**2,240**	8,601
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**33,554**	(90,065)
FINANCING ACTIVITIES			
Dividends paid		**(51,456)**	(65,290)
New bank borrowings raised		**90,023**	56,971
Repayments of bank borrowings		**(28,855)**	–
Payment for repurchase of ordinary shares under share award scheme		**(17,393)**	(10,425)
Repurchase and cancellation of shares		**–**	(4,479)
Repayment of lease liabilities		**(38)**	(35)
Capital injection by a non-controlling shareholder		**70**	–
NET CASH USED IN FINANCING ACTIVITIES		**(7,649)**	(23,258)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(123,474)**	(32,249)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**214,008**	224,851
Effect of foreign exchange rate changes		**297**	452
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by cash and cash equivalents		**90,831**	193,054

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

Shanghai Pioneer Holding Ltd (the "**Company**" and previously known as China Pioneer Pharma Holdings Limited) 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 and medical equipment and supplies and provision of metal finishing services.

The condensed consolidated financial statements have been prepared in accordance with IAS 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 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

For the six months ended 30 June 2023

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 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and 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 and medical equipment and supplies is recognised at a point of time when the customer obtains control of the distinct goods upon acceptance or consumption by customers. No revenue is generated for provision of metal finishing services during the current interim period.

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 equipment and supplies 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**").

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 2023 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Products sold via the provision of channel management services RMB'000	Consolidated RMB'000
Segment revenue	602,671	134,240	736,911
Segment result	308,949	7,478	316,427
Other income			48,528
Other gains and losses			(1,333)
Impairment losses under expected credit loss model, net of reversal			(762)
Distribution and selling expenses			(217,147)
Administrative expenses			(53,959)
Finance costs			(1,282)
Share of losses of associates			(60)
Profit before tax			90,412

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2022 (Unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Products sold via the provision of channel management services RMB'000	Consolidated RMB'000
Segment revenue	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 losses of associates			(185)
Profit before tax			149,687

For the six months ended 30 June 2023

3. SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Types of sales		
Sales of pharmaceutical products	**339,096**	562,773
Sales of medical equipment and supplies	**397,815**	96,637
	736,911	659,410
Types of major products		
Products sold via the provision of channel management services:		
Alcon	**134,240**	133,697
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Pharmaceutical products	**204,856**	429,076
Medical equipment and supplies	**397,815**	96,637
	602,671	525,713
	736,911	659,410

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**41,166**	8,671
Dividend received from equity instruments at FVTOCI	**2,184**	5,030
Interest on bank deposits	**643**	1,478
Others	**4,535**	3,532
	48,528	18,711

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange losses	**(2,320)**	(4,377)
(Loss) gain on disposal of property, plant and equipment	**(226)**	396
Gain on fair value change of financial assets at FVTPL	**1,213**	1,625
Impairment loss recognised on interest in an associate	**–**	(3,521)
	(1,333)	(5,877)

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses recognised (reversed) on:		
– trade receivables	**762**	(1,237)

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

For the six months ended 30 June 2023

7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	**12,759**	29,521
(Over) under-provision in prior periods		
PRC Enterprise Income Tax	**(1,110)**	416
Hong Kong Profits Tax	**–**	(2,714)
PRC withholding tax on dividends	**–**	(5,000)
	(1,110)	(7,298)
Deferred tax *(Note 14)*		
Current period	**6,503**	5,898
	18,152	28,121

8. PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	**1,526**	1,241
Other staff's retirement benefits scheme contributions	**6,323**	4,616
Other staff costs	**32,758**	30,628
Total staff costs	**40,607**	36,485
Write-down of inventories	**2,313**	143
Depreciation of right-of-use assets	**668**	124
Depreciation of property, plant and equipment	**4,695**	3,822
Amortisation of intangible assets	**3,415**	3,620

9. DIVIDENDS

During the current interim period, a final dividend of HKD0.048 (equivalent to RMB0.041) per share in respect of the year ended 31 December 2022 (2022: a final dividend of HKD0.064 (equivalent to RMB0.052) per share in respect of the year ended 31 December 2021) were declared to shareholders of the Company. The aggregate amount of the dividends declared and paid in the interim period amounted to RMB51,456,000 (2022: RMB65,290,000).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HKD0.024 (equivalent to RMB0.022) per share amounting to HKD30,179,000 (equivalent to RMB27,636,000) (2022: HKD22,634,000 equivalent to RMB19,756,000) in aggregate will be paid to shareholders of the Company.

For the six months ended 30 June 2023

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**77,001**	122,218
Numbers of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,180,923,265**	1,196,083,420

For the six months ended 30 June 2023 and 2022, 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 RMB24,909,000 (2022: RMB38,701,000) for acquisition of furniture and equipment and construction for factory building.

For the six months ended 30 June 2023

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 2023	31 December 2022
DMAX Co., Ltd ("**DMAX**")	Incorporated	Ordinary shares	Production zirconia-related dental products	Republic of Korea	25%	25%

Indicated by the financial performance of 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.

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 2023 and 2022.

For the six months ended 30 June 2023

13. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Listed investment:		
– Equity securities listed in Australia *(Note a)*	**70,611**	92,965
– Equity securities listed in America *(Note b)*	**803**	2,013
Unlisted investments:		
– Equity securities A *(Note c)*	**30,200**	43,300
– Equity securities B *(Note d)*	**9,500**	10,000
	111,114	148,278

Notes:

(a) The amount represents equity investment in 9.50% (31 December 2022: 9.52%) ordinary shares of an entity listed in Australian Securities Exchange, Paragon Care Limited ("**Paragon**"). This investment was not held for trading, instead, it was held for long-term strategic purpose.

(b) The amount represents equity investment in 3.52% (31 December 2022: 7.28%) ordinary shares of an entity listed in New York Stock Exchange, NovaBay Pharmaceuticals, Inc. ("**NovaBay**"). This investment was not held for trading, instead, it was held for long-term strategic purpose.

(c) The balances as of 30 June 2023 and 31 December 2022 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 2023 and 31 December 2022, the Shanghai Fund received contributions from shareholders of RMB170 million, among which the Group injected RMB20 million (31 December 2022: RMB20 million) which accounted for 10% (31 December 2022: 10%) of the equity interest of the Shanghai Fund. The Shanghai Fund represents an investment in unlisted private entities and structured deposits.

(d) The balances as of 30 June 2023 and 31 December 2022 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 2023 and 31 December 2022, the Jiaxing Fund received contributions from shareholders of RMB151 million, among which the Group injected RMB10 million (31 December 2022: RMB10 million) which accounted for 6.62% (31 December 2022: 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 had elected to designate the above investments in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investment's fair value in profit or loss would be inconsistent with the Group's strategy of holding these investment for long-term purpose and realising their performance potential in the long run.

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14. DEFERRED TAXATION

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deferred tax assets	1,823	8,598
Deferred tax liabilities	(18,053)	(24,725)
	(16,230)	(16,127)

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 marketing service fee RMB'000	Undistributed profit of subsidiaries RMB'000	Deferred income RMB'000	Equity instruments at FVTOCI RMB'000	Total RMB'000
At 1 January 2022 (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)
(Charge) credit to profit or loss	(2,532)	(8)	5,078	–	–	–	2,538
Credit to other comprehensive income for the year	–	–	–	–	–	3,725	3,725
At 31 December 2022 (Audited)	798	148	7,652	(8,000)	(10,900)	(5,825)	(16,127)
Credit (charge) to profit or loss	837	(115)	(7,497)	3,000	272	–	(3,503)
Credit to other comprehensive income for the period	–	–	–	–	–	3,400	3,400
At 30 June 2023 (Unaudited)	1,635	33	155	(5,000)	(10,628)	(2,425)	(16,230)

For the six months ended 30 June 2023

14. DEFERRED TAXATION (Continued)

As at the end of the current interim period, the Group has unused tax losses of approximately RMB40,177,000 (31 December 2022: RMB37,245,000) 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
2023	–	1,285
2024	4,354	5,639
2025	2,159	3,715
2026	6,134	7,246
2027	13,530	19,360
2028	14,000	–
	40,177	37,245

As at the end of the current interim period, the aggregate amount of temporary differences associated with fair value losses of listed equity investments amounted to RMB43,711,000 (31 December 2022: RMB20,148,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 RMB577,642,000 (31 December 2022: RMB557,696,000). 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 RMB477,642,000 (2022: RMB397,696,000) 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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	472,648	415,739
Less: Allowance for credit losses	(3,347)	(2,585)
	469,301	413,154
Other receivables, prepayments and deposits	47,546	21,565
	516,847	434,719
Advance payment to suppliers	22,558	19,504
Other tax recoverable	30,235	25,093
Total trade and other receivables	569,640	479,316

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 equipment and supplies, the Group allows a credit period from 120 days to 270 days to its trade customers.

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
0 to 60 days	257,438	333,627
61 days to 180 days	171,612	65,619
181 days to 1 year	36,369	12,478
1 year to 2 years	3,882	1,430
	469,301	413,154

As at 30 June 2023, total bills received amounting to RMB34,929,000 (31 December 2022: RMB20,145,000) 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.

For the six months ended 30 June 2023

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	
	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
Purchase of finished goods from DMAX	**1,121**	1,090
Purchase of finished goods from NovaBay *(Note a)*	**–**	3,384
Purchase of finished goods from COVEX, S.A *(Note b)*	**–**	452

Notes:

(a) NovaBay was no longer a related party since the Group ceased to have significant influence over NovaBay on 27 January 2022.

(b) COVEX, S.A. was no longer a related party since Mr. Li disposed all the shares of COVEX, S.A. on 16 September 2022.

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

	As at 30 June 2023 **RMB'000** **(Unaudited)**	As at 31 December 2022 RMB'000 (Audited)
Name of the related parties		
Non-trade in nature		
Amount due to a related party – current		
Mr. Li – current *(Note a)*	**5,246**	5,646
Trade in nature		
Amount due to a related party – current		
DMAX *(Note b)*	**99**	181

Notes:

(a) The balances as at 30 June 2023 and 31 December 2022 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.

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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**4,399**	3,691
Post employee benefits	**364**	369
	4,763	4,060

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

(d) Counter Guarantee provided by Mr. Li

On 28 October 2022, the Company, Hunan Tiantong (as defined in note 22) and Mr. Li entered into a Guarantee Framework Agreement, pursuant to which the Company agreed to provide the guarantee of an aggregate amount of not more than RMB500 million to Hunan Tiantong and its subsidiaries in respect of their application for loans from the banks (the "**Guarantee**"), whereas Mr. Li will provide the counter guarantee for the Guarantee (the "**Counter Guarantee**").

The Guarantee Framework Agreement is valid for a term of three years and is effective from 22 December 2022 on which date the approval from independent shareholders is obtained at the extraordinary general meeting, among which, the Counter Guarantee takes effect on the same date as the Guarantee until the termination of the Company's obligations under the Guarantee.

At the date of approving to issue for these condensed consolidated financial statements, Hunan Tiantong did not raise any loans from the banks and the Guarantee and Counter Guarantee have not been provided.

For the six months ended 30 June 2023

17. FINANCIAL ASSETS AT FVTPL

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Unlisted investments:		
– Structured bank deposits	**42,000**	105,000

During the period ended 30 June 2023, the Group entered into several contracts of structured deposits with various banks in the PRC. The structured bank deposits earn minimum return of 1.25% to 3.25% per annum (31 December 2022: 1.66% to 3.1% per annum), while the total expected return is up to 2.6% to 4% per annum (31 December 2022: 2.2% to 4% per annum). The contracts are with maturity on or before 1 September 2023 or are redeemable on demand (31 December 2022: on or before 28 February 2023 or are redeemable on demand).

18. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	**237,250**	323,522
Payroll and welfare payables	**4,377**	4,376
Other tax payables	**1,009**	83
Marketing service fee payables	**617**	30,606
Deposits received from distributors	**8,247**	13,008
Other payables and accrued charges	**5,118**	13,652
	256,618	385,247

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

18. TRADE AND OTHER PAYABLES (Continued)

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 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
0 to 90 days	**159,068**	186,914
91 to 180 days	**7,684**	136,608
181 to 365 days	**70,498**	–
	237,250	323,522

19. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans to finance its business operation of approximately RMB90,023,000 (30 June 2022: RMB56,971,000). The amounts are due within one year. The effective interest on the Group's fixed-rate borrowings are ranging from 2.05% to 3.95% per annum (31 December 2022: 2.07% per annum).

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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 2022, 30 June 2022, 31 December 2022 and 30 June 2023	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2022 (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), 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	1,257,447,000	12,574,470	77,399

Note:

During the six months ended 30 June 2022, the Company repurchased and cancelled 2,720,000 of its own shares with considerations RMB4,479,000 (equivalent to HKD5,444,000) through the Stock Exchange.

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

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 assets	Fair value as at 30 June 2023	Fair value as at 31 December 2022	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Equity instruments at FVTOCI	9.50% equity investment in Paragon – RMB70,611,000	9.52% equity investment in Paragon – RMB92,965,000	Level 1	Quoted bid prices in active market	Not applicable
	3.52% equity investment in NovaBay – RMB803,000	7.28% equity investment in NovaBay – RMB2,013,000			
2) Financial assets at FVTPL	Structured bank deposits – RMB42,000,000	Structured bank deposits – RMB105,000,000	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)*

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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 assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 June 2023	31 December 2022			
3) Equity instruments at FVTOCI	10% equity investment in the Shanghai Fund – RMB30,200,000 6.62% equity investment in the Jiaxing Fund – RMB9,500,000	10% equity investment in the Shanghai Fund – RMB43,300,000 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% (2022: 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.

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21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation of level 3 fair value measurements of financial assets

Unrealised fair value losses of RMB12,100,000 (30 June 2022: unrealised fair value gains of RMB11,300,000) included other comprehensive (expense) 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 instruments RMB'000	Financial assets at FVTPL RMB'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
At 1 January 2023	**53,300**	**105,000**
Total gains recognised in profit or loss	**–**	**1,213**
Total losses recognised in other comprehensive expense	**(13,600)**	**–**
Placement of financial assets at FVTPL	**–**	**42,000**
Withdrawal of financial assets at FVTPL	**–**	**(106,213)**
At 30 June 2023	**39,700**	**42,000**

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 and its principal activities are provision of metal finishing services. 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.

	RMB'000
Consideration	27,500

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	21,711
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
Cash and cash equivalents	1,533
Trade and other payables	(10,738)
Contract liabilities	(20)
	38,704

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.

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 RMB17,417,000.

For the six months ended 30 June 2023

22. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration	27,500
Plus: non-controlling interests (45% in Hunan Tiantong)	17,417
Less: recognised amounts of net assets acquired	(38,704)
Goodwill arising on acquisition	6,213

Goodwill arose on the acquisition of Hunan Tiantong because the acquisition included the assembled workforce of Hunan Tiantong 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.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of Hunan Tiantong

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

Impact of acquisition on the results of the Group

The amount included in the profit for six months ended 30 June 2022 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 six months ended 30 June 2022 of the Group would have been RMB659,410,000, and the profit for six months ended 30 June 2022 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.