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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 8.4% to RMB1,556.0 million in 2022 from RMB1,434.8 million in 2021.
- Gross profit of the Group increased by 1.1% to RMB780.5 million in 2022 from RMB772.0 million in 2021.
- Net profit of the Group increased by 63.3% to RMB230.0 million in 2022 from RMB140.8 million in 2021.
- Basic earnings per share of the Company was RMB0.20 in 2022, which represents a 66.7% increase compared to RMB0.12 in 2021.

RESULT

The board (the "**Board**") of directors (the "**Directors**") of Shanghai Pioneer Holding Ltd (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	**2022** **RMB'000**	2021 *RMB'000*
Revenue	*3*	**1,556,040**	1,434,820
Cost of sales		**(775,574)**	(662,791)
Gross profit		**780,466**	772,029
Other income	*4*	**25,532**	13,875
Other gains and losses	*5*	**849**	(2,004)
Finance costs	*6*	**(1,713)**	(932)
Gain on disposal of an associate		**37,825**	–
Impairment losses under expected credit loss model, net of reversal	*7*	**1,549**	4,945
Distribution and selling expenses		**(467,744)**	(517,203)
Administrative expenses		**(82,082)**	(72,327)
Share of results of associates		**(185)**	3,064
Profit before tax		**294,497**	201,447
Income tax expense	*8*	**(64,547)**	(60,629)
Profit for the year	*9*	**229,950**	140,818
Other comprehensive income (expense):			
Item that will not be reclassified to profit or loss:			
– Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**(22,847)**	6,275
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference on translation of a foreign operation		**(1,601)**	1,221
– Exchange difference of interests in associates		**(580)**	(11,355)
Other comprehensive expense for the year		**(25,028)**	(3,859)
Total comprehensive income for the year		**204,922**	136,959
Profit for the year attributable to:			
Owners of the Company		**235,296**	142,633
Non-controlling interests		**(5,346)**	(1,815)
		229,950	140,818
Total comprehensive income for the year attributable to:			
Owners of the Company		**210,268**	138,774
Non-controlling interests		**(5,346)**	(1,815)
		204,922	136,959
		RMB yuan	*RMB yuan*
Earnings per share			
Basic	*10*	**0.20**	0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	NOTES	2022 RMB'000	2021 RMB'000
Non-current Assets			
Property, plant and equipment		**194,249**	83,708
Right-of-use assets		**27,316**	7,393
Intangible assets		**37,048**	45,923
Interests in associates		**7,879**	89,465
Equity instruments at FVTOCI	*12*	**148,278**	60,300
Deposits paid for acquisition of property, plant and equipment and intangible assets		**7,157**	16,588
Deferred tax assets		**8,598**	11,958
Goodwill		**6,213**	–
		436,738	315,335
Current Assets			
Inventories	*13*	**321,132**	294,947
Trade and other receivables	*14*	**479,316**	306,260
Amount due from a related party		**–**	75
Financial assets at fair value through profit or loss ("**FVTPL**")	*15*	**105,000**	177,230
Tax recoverable		**3,575**	3,205
Pledged bank deposits		**11,898**	6,574
Bank balances and cash		**214,008**	224,851
		1,134,929	1,013,142
Current Liabilities			
Trade and other payables	*16*	**385,247**	297,051
Amounts due to related parties		**5,827**	2,033
Tax liabilities		**39,701**	24,609
Bank borrowings	*17*	**28,855**	13,866
Lease liabilities		**731**	113
Contract liabilities		**12,485**	10,523
		472,846	348,195
Net Current Assets		**662,083**	664,947
Total Assets less Current Liabilities		**1,098,821**	980,282

	2022	2021
	RMB'000	*RMB'000*
Capital and Reserves		
Share capital	**77,399**	77,566
Reserves	**930,405**	830,404
Equity attributable to owners of the Company	**1,007,804**	907,970
Non-controlling interests	**14,685**	3,016
Total Equity	**1,022,489**	910,986
Non-current liabilities		
Deferred tax liabilities	**24,725**	25,625
Lease liabilities	**8,007**	71
Deferred income	**43,600**	43,600
	76,332	69,296
	1,098,821	980,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

China Pioneer Pharma Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. Pursuant to resolution dated on 26 October 2022, China Pioneer Pharma Holdings Limited has changed the name to Shanghai Pioneer Holding Ltd (the "**Company**"). 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 PRC. The Company's immediate and ultimate holding company is Pioneer Pharma (BVI) Co., Ltd. ("**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 (the "**Group**") are the marketing, promotion and sale of pharmaceutical products and medical devices. The Group has acquired equity interest in Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司) ("**Hunan Tiantong**") during the year and its principal activities are provision of metal finish services.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effect for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior year and/or the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

Impacts on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The Group has applied the amendments for the first time in the current year. The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with IAS 2 *Inventories*.

The application of the amendments in the current year has had no impact on the Group's financial positions and performance.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (Including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2024

Except for amendments to IFRSs mentioned below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB9,671,000 and RMB8,738,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising from sales of pharmaceutical products and medical devices in the PRC. An analysis of the Group's revenue by category is as follows:

	2022	2021
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**1,305,089**	1,247,638
Sales of medical devices	**250,951**	187,182
	1,556,040	1,434,820

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

The advance from customer received by the Group is recognised as a contract liability until the customer obtains control of the distinct goods.

All contracts from sales of pharmaceutical products and medical devices are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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. The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administrative expenses, certain distribution and selling expenses, finance costs, certain impairment losses under expected credit loss model, net of reversal, gain on disposal of an associate, share of results of associates, other income and other gains and losses.

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

(a) Ophthalmic pharmaceutical products – sales of the Group's ophthalmic pharmaceutical products to the customers under the channel management arrangement ("**Products sold via the provision of channel management services**"). Products sold via the provision of channel management services related solely to sale arrangements with Alcon Pharmaceuticals Ltd. ("**Alcon**").

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

(c) Different from the sales of "Products sold via the provision of channel management services" and "Products sold via the provision of comprehensive marketing, promotion and channel management services" of which the products are meant to be sold in the PRC, the Group's personal protective materials products are mainly focusing on the export market ("**Sales of personal protective materials**"). Sales of personal protective materials include masks, protective gloves and protective suits, which are mainly exported to Europe, the United States and Australia. The sales of personal protective materials has been terminated during the year ended 31 December 2021.

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 segment:

For the year ended 31 December 2022

	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	**1,281,149**	**274,891**	**1,556,040**
Segment result	**760,460**	**20,006**	**780,466**
Other income			**25,532**
Gain on disposal of an associate			**37,825**
Other gains and losses			**849**
Unallocated impairment losses under expected credit loss model, net of reversal			**1,549**
Unallocated distribution and selling expenses			**(467,744)**
Administrative expenses			**(82,082)**
Finance costs			**(1,713)**
Share of results of associates			**(185)**
Profit before tax			**294,497**

For the year ended 31 December 2021 (restated)

	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	1,178,262	256,558	1,434,820
Segment result	756,841	19,928	776,769
Unallocated cost of sales			(4,740)
Other income			13,875
Other gains and losses			(2,004)
Unallocated impairment losses under expected credit loss model, net of reversal			4,945
Unallocated distribution and selling expenses			(517,203)
Administrative expenses			(72,327)
Finance costs			(932)
Share of results of associates			3,064
Profit before tax			201,447

In addition to the above reportable segments, sales of personal protective materials was being reported as a separate segment in prior years. The segment is no longer considered as a reportable segment by the CODM in current year. Accordingly, the relevant write-down on inventories of personal protective materials was presented as "unallocated cost of sales". Prior year segment disclosures have been represented to conform with the current year's presentation.

Disaggregation of revenue from contracts with customers by major products

	2022	2021
	RMB'000	*RMB'000*
Products sold via the provision of channel management services:		
Alcon	**274,891**	256,558
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Fluxum	**466,487**	465,865
Difene	**323,661**	215,143
Neoton	**39,154**	50,905
Polimod	**75,081**	74,646
Macmiror complex	**48,669**	56,686
Vinpocetine API	**5,336**	6,983
FLEET Phospho-Soda	**13,302**	16,307
Zanidip	**55,402**	102,366
Other	**3,106**	2,179
Pharmaceutical products	**1,030,198**	991,080
Medical equipments and supplies	**250,951**	187,182
	1,281,149	1,178,262
	1,556,040	1,434,820

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). 97% (2021: 63%) of non-current assets excluding equity instruments at FVTOCI and deferred tax assets, are located in the PRC, and the remaining 3% (2021:37%) are located in the United States and Republic of Korea in relation to the interests in associates. All of the Group's revenue from external customers is attributed to the group entities' country of domicile (i.e. the PRC).

Information about major customers

No individual customer of the Group contributed 10% or more of the Group's revenue for both years.

4. OTHER INCOME

	2022	2021
	RMB'000	*RMB'000*
Dividends received from equity instruments at FVTOCI	**9,381**	2,500
Government grants *(Note)*	**8,405**	6,185
Interest income on bank deposits	**2,913**	1,140
Service income	**1,287**	1,341
Interest income on amount due from a related party	**–**	1,116
Interest income on finance leases	**–**	186
Others	**3,546**	1,407
	25,532	13,875

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

5. OTHER GAINS AND LOSSES

	2022	2021
	RMB'000	*RMB'000*
Impairment losses on interests in associates, net	**(3,521)**	(3,287)
Write-off of intangible assets	**(2,187)**	–
Write-off of property, plant and equipment	**(269)**	–
Gain on fair value change of financial assets at FVTPL	**5,312**	7,072
Net foreign exchange gains (losses)	**1,288**	(3,026)
Gain on disposal of a subsidiary	**226**	–
Gain on disposal of property, plant and equipment	**–**	37
Loss on dilution on interest in an associate	**–**	(2,800)
	849	(2,004)

6. FINANCE COSTS

	2022	2021
	RMB'000	*RMB'000*
Interest on bank borrowings	**1,637**	927
Interest on lease liabilities	**76**	5
	1,713	932

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

	2022	2021
	RMB'000	*RMB'000*
Impairment losses reversed on:		
– trade receivables	**(1,549)**	(4,737)
– finance lease receivables	**–**	(208)
	(1,549)	(4,945)

8. INCOME TAX EXPENSE

	2022	2021
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**65,771**	39,317
Hong Kong Profits Tax	**–**	311
PRC withholding tax on dividends distributed by subsidiaries	**–**	9,000
	65,771	48,628
(Over) under-provision in prior year		
PRC Enterprise Income Tax	**416**	1,002
PRC withholding tax on dividends	**(5,000)**	–
Hong Kong Profits Tax	**–**	(2,614)
	(4,584)	(1,612)
Deferred tax		
Current year	**3,360**	13,613
	64,547	60,629

The Company is tax exempted under the laws of the Cayman Islands. Pioneer Pharma (Hong Kong) Co., Limited ("**Pioneer HK**") is incorporated in Hong Kong. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for those described below.

According to Circular 2020 No. 23 of the Ministry of Finance, the period of reduced EIT rate of 15% for enterprises located in Tibet is from 1 January 2021 to 31 December 2030. Naqu Area Pioneer Pharma Co., Ltd ("**Naqu Pioneer**"), which is located in Naqu, Tibet, is subject to a reduced EIT tax rate of 15% from 2021 to 2030.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**294,497**	201,447
Tax at the applicable income tax rate of 25%	**73,624**	50,362
Tax effect of expenses not deductible for tax purpose	**6,424**	4,965
Tax effect of income not taxable for tax purpose	**(16,872)**	(766)
Tax effect of tax losses not recognised	**7,651**	2,840
Tax effect of concessionary tax rate	**(1,696)**	(4,160)
Over-provision in prior year	**(4,584)**	(1,612)
PRC withholding tax on dividends distributed by subsidiaries	**–**	1,000
Deferred tax liabilities arising on undistributed profit of the PRC subsidiaries	**–**	8,000
	64,547	60,629

9. PROFIT FOR THE YEAR

	2022	2021
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**3,729**	2,814
Other staff's retirement benefits scheme contributions	**10,696**	9,246
Other staff costs	**61,065**	54,419
Total staff costs	**75,490**	66,479
Auditor's remuneration	**2,061**	1,660
Depreciation for property, plant and equipment	**6,461**	5,218
Depreciation of right-of-use assets	**443**	219
Amortisation of intangible assets	**6,728**	7,510
Cost of inventories recognised as an expense (including reversal of write-down of inventories amounting to RMB98,000 (2021: RMB6,370,000))	**775,574**	662,791

10. EARNINGS PER SHARE

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

	2022	2021
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB235,296,000**	RMB142,633,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,190,884,268**	1,202,978,734

For the years ended 31 December 2022 and 2021, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has taken into account the ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the ordinary shares repurchased and cancelled by the Company.

No diluted earnings per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

11. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 Final – RMB0.052 per share	**64,900**	–
2022 Interim – RMB0.016 per share	**19,756**	–
2020 Final – RMB0.063 per share	**–**	79,712
2021 Interim – RMB0.047 per share	**–**	50,190
	84,656	129,902

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HKD0.048 (equivalent to RMB0.041) (2021: HKD0.064 (equivalent to RMB0.052) per share of final dividend in respect of the year ended 31 December 2021) per share, in an aggregate amount of approximately HKD60,357,000 (equivalent to RMB51,841,000) (2021: HKD80,484,000 (equivalent to RMB64,900,000)), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. EQUITY INSTRUMENTS AT FVTOCI

	2022	2021
	RMB'000	*RMB'000*
Listed investments:		
– Equity securities listed in Australia *(Note a)*	**92,965**	–
– Equity securities listed in the United States *(Note b)*	**2,013**	–
Unlisted investments:		
– Equity securities A *(Note c)*	**43,300**	50,300
– Equity securities B *(Note d)*	**10,000**	10,000
	148,278	60,300

Notes:

a) The amount represents equity investment in 9.52% ordinary shares of Paragon Care Limited ("**Paragon**"). This investment was not held for trading, instead, it was held for long-term strategic purpose.

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

b) The amount represents equity investment in 7.28% ordinary shares of NovaBay Pharmaceuticals, Inc. ("**NovaBay**"). This investment was not held for trading, instead, it was held for long-term strategic purpose.

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

c) The amount represent the 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 investment in various targets within the pharmaceutical industry. As at 31 December 2022 and 2021, the Shanghai Fund received contributions from shareholders of approximate RMB170 million (2021: RMB204 million), among which the Group injected approximate RMB20 million (2021: RMB23.4 million) which accounted for 10% (2021: 10%) of the equity interest of the Shanghai Fund. The Shanghai Fund represents an investment in unlisted private entities and structured bank deposits.

d) The amount 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 Jiangxi Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 31 December 2022 and 2021, the Jiaxing Fund received contributions from shareholders of approximate RMB151 million (2021: RMB151 million), among which the Group injected approximate RMB10 million which accounted for 6.62% (31 December 2021: 6.62%) of the equity interest of the Jiaxing Fund. The Jiaxing Fund represents an investment in unlisted private entities and structured deposits.

The Directors have elected to designate the above investment in equity instruments at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would be inconsistent with the Group's strategy of holding these investments for long-term purpose and realising its performance potential in the long run.

13. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2022, inventories included goods in transit of RMB35,693,000 (2021: RMB57,715,000).

During the year, a direct write-off against allowance for inventories of RMB22,071,000 (2021:Nil) was recognised. A net reversal of write-down of inventories of RMB98,000 (2021: RMB6,370,000) has been recognised by the Group for the inventories that are subsequently sold out and included in cost of sales.

14. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**415,739**	272,084
Less: Allowance for credit losses	**(2,585)**	(20,244)
	413,154	251,840
Other receivables, prepayments and deposits	**21,565**	20,190
	434,719	272,030
Advance payment to suppliers	**19,504**	10,129
Advance payment to related parties	**–**	4,360
Other tax recoverable	**25,093**	19,741
Total trade and other receivables	**479,316**	306,260

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

For sales of medical devices, the Group allows the contract sums to be settled by instalments over a general period of 12 months to 36 months as stated in contracts are included in trade receivables.

The following is an aging analysis of trade receivables net of allowance for credit losses, presented based on invoice date at respective reporting dates, which approximated the respective revenue recognition dates:

	2022	2021
	RMB'000	*RMB'000*
0 to 60 days	**333,627**	185,363
61 days to 180 days	**65,619**	38,252
181 days to 1 year	**12,478**	26,513
1 year to 2 years	**1,430**	1,712
	413,154	251,840

As at 31 December 2022, total bills received amounting to RMB20,145,000 (31 December 2021: RMB32,434,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB36,091,000 (2021: RMB31,822,000) which are past due as at the reporting date. Out of the past due balances, RMB2,682,000 (2021: RMB21,373,000) has been past due 90 days or more and is not considered as in default because there had not been significant change in credit quality and the amounts are still considered recoverable. Other than bills received amounting to RMB20,145,000 (2021: RMB32,434,000), the Group does not hold any collateral over these balances.

15. FINANCIAL ASSETS AT FVTPL

	2022 *RMB'000*	2021 *RMB'000*
Unlisted investments:		
– Structured bank deposits	**105,000**	177,230

During the year ended 31 December 2022, the Group entered into several contracts of structured deposits with various banks in the PRC. The structured bank deposits earn minimum return of 1.66% to 3.1% per annum (31 December 2021: 0.8% to 3.1% per annum), while the total expected return is up to 2.2% to 4% per annum (31 December 2021: 3.25% to 4.0% per annum). The contracts are with maturity on or before 8 February 2023 or are redeemable on demand (2021: on or before 30 March 2022 or are redeemable on demand).

16. TRADE AND OTHER PAYABLES

	2022 *RMB'000*	2021 *RMB'000*
Trade payables	**323,522**	259,964
Payroll and welfare payables	**4,376**	3,900
Other tax payables	**83**	292
Marketing service fee payables	**30,606**	10,294
Deposits received from distributors	**13,008**	13,106
Other payables and accrued charges	**13,652**	9,495
	385,247	297,051

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

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

	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**186,914**	234,572
91 to 180 days	**136,608**	24,740
181 to 365 days	**–**	652
	323,522	259,964

17. BANK BORROWINGS

	2022	2021
	RMB'000	*RMB'000*
Carrying amount of bank borrowings repayable within one year and shown under current portion	**28,855**	13,866
Analysed as:		
Secured	**28,855**	13,866

The borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2022	2021
	RMB'000	*RMB'000*
Pledge of assets		
Pledged bank deposits for letter of credit	**11,898**	6,574
Financial assets at FVTPL	**30,000**	–
Interest in an associate	**–**	67,600
	41,898	74,174

The effective interest rate on the Group's fixed rate borrowings is 2.07% per annum (2021: the fixed rate borrowings are ranging from 2.71% to 3.55% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

In 2022, while the COVID-19 still has a negative impact on the economic development of the world, as the epidemic prevention measures continue to advance in mainland China, the outbreak has gained stable control on the whole, and the whole economic development of mainland China was restored after the outbreak. With the recovery of the economics, the breadth and depth of China's healthcare reform are also being adjusted and deepened. Looking back on the overall situation of the industry, although the incremental improvement of the National Medical Security Administration system and the policy of medical insurance cost control still put pressure on drug prices in tender processes, the demand in the industry remains huge and is increasing at a steady pace against the backdrop of consumption upgrade and the acceleration of population aging, and the industry is still on a rise. However, it should also be noted that changes in domestic and overseas policies have brought many uncertainties to the entire industry.

Specifically for the Group, the government's support and preferential policies on innovative drugs and medical devices such as optimization of the approval process and accreditation of international clinical trial data will help to expand the range of products for the Group's selection. As all provinces strengthen the implementation of the policy requirements of medical insurance cost control, drugs and medical devices of the Company will increase the efficiency of medical insurance funds application by virtue of their definite clinical effects and excellent quality, and will compete favourably in the market. The Group will leverage on its advantages in product quality and brand image, and strengthen its academic promotion, in addition to constantly through the agency of new subdivision of specialized fields of products, as well as the production base in Rongchang, Chongqing to expand the group business into the field of medical device production. The Group believes that only through continuous expansion in the above aspects that we can gain development opportunities in the changing and challenging environment.

For the Reporting Period, the Group's revenue increased by 8.4% year-on-year to RMB1,556.0 million (2021: RMB1,434.8 million), gross profit increased by 1.1% year-on-year to RMB780.5 million (2021: RMB772.0 million) and net profit for the year increased by 63.3% year-on-year to RMB230.0 million (2021: RMB140.8 million).

For the Reporting Period, the Group's revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 3.9% compared to last year to RMB1,030.2 million, representing 66.2% of the Group's revenue for the Reporting Period. Gross profit decreased by 3.3% compared to last year to RMB634.8 million, representing 81.3% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 34.1% compared to last year to RMB251.0 million, representing 16.1% of the Group's revenue for the Reporting Period. Gross profit increased by 25.4% compared to last year to RMB125.6 million, representing 16.1% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from Alcon's Products sold via the provision of co-promotion and channel management services increased by 7.1% compared to last year to RMB274.9 million, representing 17.7% of the Group's revenue for the Reporting Period. Gross profit increased by 0.4% compared to last year to RMB20.0 million, representing 2.6% of the Group's gross profit for the Reporting Period.

1. Product Development

As of 31 December 2022, the Group had a product portfolio of pharmaceutical products (mostly being prescription products) covering ophthalmology, pain management, cardiovascular, immunology, gynecology, gastroenterology and other therapeutic 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	**2022**	**Percentage of the Group's total revenue/ gross profit**	2021	Percentage of the Group's total revenue/ gross profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
Revenue:				
Pharmaceutical Products	**1,030,198**	**66.2**	991,080	69.1
Medical Devices	**250,951**	**16.1**	187,182	13.0
Gross Profit:				
Pharmaceutical Products	**634,844**	**81.3**	656,634	85.1
Medical Devices	**125,616**	**16.1**	100,207	13.0

During the Reporting Period, as a result of many factors such as the trend towards refined medical insurance cost control, 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 prices reduction in tender processes and drug consumption limitations in medical institutions have continued, the trend towards structural differentiation for clinical use of drugs became more obvious. By virtue of the product's quality advantage and definite curative effect, the Group reasonably implements the promotion strategy to ensure the stable market layout of the products. At the same time, the Group takes advantage of the overall stable economic development trend in mainland China after the control of the COVID-19 epidemic to increase the sales of products by strengthening market promotion and expanding market coverage. During the Reporting Period, revenue generated from this segment increased by 3.9% compared to last year to RMB1,030.2 million, representing 66.2% of the Group's revenue for the Reporting Period. Gross profit decreased by 3.3% compared to last year to RMB634.8 million, representing 81.3% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene was RMB323.7 million, representing an increase of 50.4% compared to last year. As one of the best-selling products of the Group, Difene is crucial to ensure the steady growth of the Group's revenue. Through proactively organizing and participating in various academic conferences, the Group seized the opportunities for increasing brand publicity, and refined its strategy of academic promotion, so as to expand market coverage through accelerating its penetration into more hospitals and small-sized medical institutions, as well as increasing the sales of Difene at each target hospital. With the constant expansion of the coverage of medical institutions the superior quality of Difene has gained recognition from more doctors and patients, and the brand recognition of the products has also been further strengthened, which has effectively alleviated the adverse impact of COVID-19 on the sales of Difene. The Group has newly established the broad market division which is expected to significantly increase the coverage of primary medical institutions in the future, and the sales volume of Difene will continue to grow. Difene is the sole dosage product of its type in the market and comes in 10-pack, 14-pack and 20-pack packaging specifications. In the past, revenue from Difene mainly originated from sales of the 10-pack specification. The newly launched 14-pack is expected to replace the 10-pack as the new growth point of the market sales of Difene. Compared with the 10-pack, the 14-pack has the advantages of more consistent with the prescription habits of clinicians and more scientific from the perspective of treatment cycle. Benefiting from the Group's overall layout in the past year, as well as the official execution of new tender results in more provinces, 14-pack specification has become a significant supplement to the market, achieving an increasing contribution to the Group's revenue. Through increased marketing activities, such as education programmes for doctors and patients on the disease treatment and prevention, the Group will further expand the market influence of the reference medicinal products, so as to manifest their market competitiveness and consistent good quality.

For the Reporting Period, the Group's revenue generated from sales of Fluxum was RMB466.5 million, representing an increase of 0.1% compared to last year. As one of the Group's important products, the Group is in line with the trend of national policies, quickly seized the industry opportunities, was in-depth exploration on the advantages of product, implementation of the strategy of professional academic promotion, as well as continuously enriched and improved clinical expert resources to expand and deepen Fluxum's brand recognition. Fluxum was listed as an imported low molecular weight heparin product in the national drug reimbursement catalogue and a national essential drug catalog product. The Group fully grasps the market growth opportunity, won bids in a number of large provinces through reasonable bidding strategies, and through the timely follow-up and effective participation in academic promotion work to constantly improve the market share of Fluxum. Furthermore,with the country and more clinician from the relevant departments paying attention to the prevention of venous thrombosis, Fluxum not only continued to maintain its brand advantage in the field of traditional surgery, but also extended the scope of its application to other hospital potential departments, such as oncology, obstetrics and gynecology, and even general practice. By continuously optimizing the market layout and improving the marketing strategy, Fluxum has maintained a growth rate higher than the average level of the industry in the past five years.

For the Reporting Period, the Group's revenue generated from sales of Polimod was RMB75.1 million, representing an increase of 0.6% compared to last year. Polimod is the original product of pidotimod. It is a synthetic oral immune modulator, which has effect by stimulating and regulating cellular immune response, and is used for patients with immune disorders (such as respiratory tract infection, otolaryngology infection, urinary tract infection and gynecological infection). For the year ended 31 December 2022, the Group has established sales channels in 31 provinces (municipalities directly under the Central Government) and autonomous regions across the country for promotion and use in terminal hospitals, and the product coverage has been significantly improved. Since 2019, affected by the COVID-19, the sales of Polimod have been affected. The Group has taken a number of actively measures, making the sales volume of Polimod decrease less than other similar products.

The business segment of other drugs of the Group also got rid of the adverse impact of the COVID-19 epidemic gradually and the sales revenue of these products have some recovery in the second half of the reporting period. For the Reporting Period, the Group's revenue generated from sales of these products was RMB165.0 million, representing a decrease of 29.9% compared to last year.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 34.1% compared to last year to RMB251.0 million, representing 16.1% of the Group's revenue for the Reporting Period. Gross profit increased by 25.4% compared to last year to RMB125.6 million, representing 16.1% of the Group's gross profit for the Reporting Period. Based on the features of its products, the Group organized its promotion strategy carefully, and accelerated the marketing deployment of products launched for a shorter time, so as to lay the foundation for the future business development of medical device sector. Specifically, during the Reporting Period, the sales of ophthalmic surgical equipment and consumables and dental equipment and consumables still achieved solid growth. Moreover, under the influence of favorable factors such as the tightening of category III medical device registration in China, and the increase of being included in the medical insurance in some provinces, the sales of NeutroPhase (a wound cleanser) has also appeared a rapid growth trend following the adjustment of promotion direction and strategies. The Group will gradually enhance the market position of medical device products, strengthen its promotion activities, and improve the contribution of this business segment to the Group's revenue.

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

Category	**2022** *RMB'000*	**Percentage of the Group's total revenue/ gross profit** *(%)*	2021 *RMB'000*	Percentage of the Group's total revenue/ gross profit *(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**274,891**	**17.7**	256,558	17.9
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**20,006**	**2.6**	19,928	2.6

A new agreement was entered into between the Group and Alcon on 1 January 2022, pursuant to which the Group was exclusively entitled to the import, storage, distribution and sale of 10 specifications in 8 types of Alcon's pharmaceutical products. This agreement runs for a term of 3 years from 1 January 2022.

For the Reporting Period, the Group's revenue generated from this segment increased by 7.1% compared to last year to RMB274.9 million, representing 17.7% of the Group's revenue for the Reporting Period. Gross profit increased by 0.4% compared to last year to RMB20.0 million, representing 2.6% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceutical and medical device companies. In addition to existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective product candidates, the Group takes into consideration factors such as clinical effectiveness, competitive environment, product 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 pushed forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launched process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

2. Marketing Network Development

Since 2018, the "Two-Invoice System" policy has been fully implemented in all provinces of the country. As the sole importer of an overseas medical product in China, the Group is considered as the manufacturer of such imported medical product under the "Two-Invoice System". Since last year, the Group's business model has also been optimized and improved. 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 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 programmes, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group's products.

During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and conduct products' promotion and sales work. The Group has established a sales and product manager team for each product business unit, to manage and support their third-party promotion partners. In the environment of ever-changing policies and violent market competition of pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responsiveness, as well as effective and professional product promotion activities. During the Reporting Period, with the more attention paid by the Group to the academic training of the in-house marketing team, the Group strengthened the frequency and depth of the marketing activities for product academic promotion involved by the internal marketing team, so as to raise the internal 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 normalized training, and assisting them in providing doctors with clinical solutions related to the products. Through the close collaboration between in-house teams and third-party promotion partners, the Group shared the pharmaceutical policies 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 products development. During the Reporting Period, the development of the Group's marketing network led to significant improvement to its market coverage. For instance, number of hospitals and medical institutions using Difene has increased by 10,362, the number of hospitals using Fluxum has increased by about 500. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group's operation.

3. Significant Investment

The Group did not have any investment in an investee company with a value of 5% or more of the Group's total assets as at 31 December 2022.

3.1 Investment in NovaBay

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

NovaBay is now focusing primarily on commercializing the prescription of Avenova® in the United States. The investment allows the Group to enhance its business relationship with NovaBay.

The Group has made several rounds of investments in NovaBay since 2013. As of 31 December 2022, the Group held a total of 148,241 ordinary shares of NovaBay, representing approximately 7.28% of its equity interest. The Group did not hold any NovaBay warrants.

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

3.2 Investment in Paragon

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

As at 31 December 2022, the Group held a total of 62,609,060 ordinary shares of Paragon, representing 9.52% of the total issued shares of Paragon. On 16 February 2022, the proportion of ordinary shares held by the Group was diluted from 10.86% to 9.87% and the Group has forfeited its right to nominate directors to the board of directors of Paragon in accordance with the relevant shareholders' agreement. On 16 February 2022, Paragon is not considered as an associate company of the Group. The Directors have designated this investment as equity instruments at FVTOCI. Thus, the gain on disposal of the associate of RMB37,825,000 (2021: Nil) for the Reporting Period is included in profit and loss.

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

3.3 Investment in Pioneer Huimei

In June 2018, the Group, through a wholly-owned subsidiary, Naqu Pioneer established Sichuan Pioneer Huimei Biotechnology Co., Ltd. ("**Pioneer Huimei**") with Chengdu Huimeihe Biotechnology Co., Ltd. ("**Chengdu Huimeihe**"). Naqu Pioneer represented 83.75% of its entire equity interest.

On 26 December 2022, the Group entered into an agreement with an independent third party to sell its entire 83.75% interest in Sichuan Pioneer Huimei Biotechnology Co., Ltd, for RMB 1,000,000. The sale was completed on 26 December 2022 and a gain of RMB226,000 for the Reporting Period is included in profit and loss.

3.4 Investment in DMAX Co

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

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

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

3.5 Investment in Shanghai Yuhan fund (limited partnership) and Jiaxing Yuhan fund (limited partnership)

As of 31 December 2022, the Group's investment in Shanghai Yuhan fund (limited partnership) (上海譽瀚股權投資基金合夥企業(有限合夥), "**Shanghai Yuhan**") was recognized as equity instruments at FVTOCI, representing an amount of RMB43.30 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 31 December 2022, the Group held 10% of the equity interest of Shanghai Yuhan. Shanghai Yuhan mainly engages in the investment in unlisted private entities and structured bank deposits. For the 12 months ended 31 December 2022, the Group recorded an unrealized loss RMB3.6 million of its investment in the fund, and has received entitlement distribution RMB5.9 million therefrom. The Group's investment in Jiaxing Yuhan Fund (嘉興譽瀚股權投資合夥企業(有限合夥), "**Jiaxing Yuhan**") which amounted to RMB10 million, has been recognized as equity instrument at FVTOCI. As at 31 December 2022, the Group held 6.62% of the equity interest in Jiaxing Yuhan. Jiaxing Yuhan was incorporated in the PRC and specialized in making equity investment in various targets within the pharmaceutical industry. The Group's strategy of this investment is for long-term holding. The Group has no intention of realizing its interests in 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, for development goals in the long run.

3.6 Investment in Rongchang Production Base

In 2019, the Group, through a wholly-owned subsidiary, Chongqing Qianfeng Pharmaceutical Co., Ltd. ("**Chongqing Qianfeng**"), obtained the state-owned construction land use right of land numbered 2019-RC-1-03 transferred from Rongchang District Government of Chongqing Municipality. The land covers an area of 38,972 m^2 at the transfer price of RMB5,581,000. In March 2019, Chongqing Qianfeng and the local government entered into an transfer agreement of land use right and obtained the right to use the state-owned construction land.

In June 2019, the construction of Rongchang's production base began. The planned construction area of this project production base is over 40,000m^2. For the Reporting Period, the construction of the production base has been basically completed, the relevant production lines are implementing the GMP and production approval certificate application as planned, and it is expected to gradually realize the production by the end of 2023.

This project is a significant strategic plan for the Group to move 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 ride on the policy of national industry development and make Rongchang production base an open technology platform, introduce new technologies and new products, realize the localization of high-quality imported products, and fully exercise the comprehensive advantage of manufacturing and sales integration of the Group, so as to constantly improve the market competitiveness and profitability of the Group.

3.7 Investment in Hunan Tiantong Environmental Protection

On 23 February 2022, Xiantao Pioneer Pharma Co., Ltd. (仙桃先鋒醫療服務有限公司, the "**Xiantao Pharma**") a subsidiary of the Group, Tiandao Medical Co., Ltd. (仙桃市天道醫療服務有限公司, the "**Tiandao Medical**") and Mr. Xiao Guoguang ("**Mr. Xiao**") entered into a capital increase agreement, pursuant to which, Xiantao Pharma intends to increase the capital of Hunan Tiantong by RMB27.5 million and hold 55% of its interests. After the completion of the capital increase, Hunan Tiantong Environmental Protection will become a subsidiary of the Group. In December 2022, Xiantao Pharma, a subsidiary of the Group, Tiandao Medical and Mr. Xiao entered into a capital increase agreement, pursuant to which, Xiantao Pharma intends to increase the capital of Hunan Tiantong Environmental Protection by RMB49.75 million and hold 75% of its 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 Environmental Protection's self-developed technology of comprehensive recycling of electroless nickel plating waste has a competitive edge of its capacity on recycling of heavy metals, high degree of automation and recyclability; while the complete set of ECD electrocatalytic steel strip acid-free cleaning technology has the characteristics of high speed, low cost and no pollution. With the competitive edges brought by such technologies in the environmental protection industry, Hunan Tiantong Environmental Protection is expected to bring attractive profits and return for the Group and the shareholders 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 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 the 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, responding proactively amidst the environment full of challenges and changes in the PRC, and forging vigorously ahead, so as to achieve the new blueprint of the Group's future development.

Meanwhile, the Group has been actively exploring opportunities to identify markets with growth potential for future development and business expansion, as well as creating values and increasing returns for shareholders. In this regard, the Group has been in the process of seeking and exploring business fields with broad prospects and opportunities, including the commencement of environmental protection industry in China, and uses the environmentally technological achievement at internationally advanced level to seek a reliable commercial road while adhering to the existing principal activities and taking the comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices as its core business.

FINANCIAL REVIEW

Revenue

Revenue increased by 8.4% from RMB1,434.8 million in 2021 to RMB1,556.0 million in 2022. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 3.9% from RMB991.1 million in 2021 to RMB1,030.2 million in 2022, primarily due to the adjustment and optimization of COVID-19's prevention and control policies in mainland China, the Group's sales and marketing activities recovered well in the second half of the Reporting Period. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 34.1% from RMB187.2 million in 2021 to RMB251.0 million in 2022, primarily due to that the Company's continuous investment in market promotion has achieved remarkable results, and the sales volume has increased steadily. Meanwhile, the Group has acquired the sales rights of several medical device products in Shanghai and Zhejiang region during the Reporting Period, resulting in increased sales. Revenue generated from products sold via the provision of co-promotion and channel management services increased by 7.1% from RMB256.6 million in 2021 to RMB274.9 million in 2022.

Cost of sales

Cost of sales increased by 17% from RMB662.8 million in 2021 to RMB775.6 million in 2022, primarily due to increase of sales during the Reporting Period. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 18.2% from RMB334.4 million in 2021 to RMB395.4 million in 2022. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 44.1% from RMB87.0 million in 2021 to RMB125.3 million in 2022. Cost of sales for products sold via the provision of co-promotion and channel management service increased by 7.7% from RMB236.6 million in 2021 to RMB254.9 million in 2022.

Gross profit and gross profit margin

Gross profit increased by 1.1% from RMB772.0 million in 2021 to RMB780.5 million in 2022. The Group's average gross profit margin decreased from 53.8% in 2021 to 50.2% in 2022. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased from 66.3% in 2021 to 61.6% in 2022. Compared with the same period of last year, the Group's gross profit margin decreased slightly 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 decreased from 53.5% in 2021 to 50.1% in 2022. The Group's gross profit margin for products sold via the provision of co-promotion and provision of channel management services decreased from 7.8% in 2021 to 7.3% in 2022.

Other income

Other income increased by 84.0% from RMB13.9 million in 2021 to RMB25.5 million in 2022, primarily due to increase in government subsidies received and increase in dividend income from equity instruments at FVTOCI during the Reporting Period.

Distribution and selling expenses

Distribution and selling expenses decreased by 9.6% from RMB517.2 million in 2021 to RMB467.7 million in 2022, primarily due to decrease of marketing activities of products leading to a decrease in expenses because of the epidemic control in some areas for most of the Reporting Period. Distribution and selling expenses as a percentage of revenue decreased from 36.0% in 2021 to 30.1% in 2022.

Administrative expenses

Administrative expenses increased by 13.5% from RMB72.3 million in 2021 to RMB82.1 million in 2022, primarily due to newly acquired subsidiaries during the Reporting Period. Administrative expenses as a percentage of revenue increased from 5.0% in 2021 to 5.3% in 2022.

Finance costs

Finance costs increased by 83.8% from RMB0.9 million in 2021 to RMB1.7 million in 2022 primarily due to the increase in banking borrowing during the Reporting Period.

Other gains and losses

The Group's other gains and losses increased from RMB-2.0 million in 2021 to RMB0.8 million in 2022 primarily due to increase in exchange gains during the Reporting Period.

Income tax expense

Income tax expense increased by 6.5% from RMB60.6 million in 2021 to RMB64.5 million in 2022. The Group's effective income tax rate in 2022 and 2021 were 21.9% and 30.1%, respectively. Since the beginning of 2019, the Group has been conducting business primarily through Naqu Area Pioneer Pharma Co., Ltd (那曲先鋒醫藥有限公司) and Chongqing Pioneer Pharma Co., Ltd (重慶先鋒醫藥有限公司) and Chongqing Pioneer Pharma Co., Ltd was subject to Enterprise Income Tax rate of 25%.

Profit for the year

As a result of the above factors, the Group's profit increased by 63.3% from RMB140.8 million in 2021 to RMB230.0 million in 2022. The Group's net profit margin increased from 9.8% in 2021 to 14.8% in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Cash Position

The Group has historically met its working capital and other capital requirements principally from net cash flow supplemented by bank borrowings. The Group's cash and cash equivalents decreased from RMB224.9 million as of 31 December 2021 to RMB214.0 million as of 31 December 2022.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2022:

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Net cash from operating activities	**93,295**	242,064
Net cash (used in) from investing activities	**(12,993)**	8,393
Net cash used in financing activities	**(91,025)**	(140,280)
Net (decrease) increase in cash and cash equivalents	**(10,723)**	110,177
Cash and cash equivalents at beginning of the year	**224,851**	115,009
Effect of foreign exchange rate changes	**(120)**	(335)
Cash and cash equivalents at end of the year	**214,008**	224,851

Net cash from operating activities

In 2022, the Group's net cash from operating activities was RMB93.3 million compared to net cash from operating activities of RMB242.1 million in 2021.

Net cash used in investing activities

In 2022, the Group's net cash used in investing activities was RMB13.0 million compared to net cash from in investing activities of RMB8.4 million in 2021. This was mainly due to increase in purchases of property, plant and equipment increased during the Reporting Period.

Net cash used in financing activities

In 2022, the Group's net cash used in financing activities was RMB91.0 million compared to net cash used in financing activities of RMB140.0 million in 2021. This was mainly because decrease in dividend payment during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB28.9 million as at 31 December 2022 compared to RMB13.9 million as at 31 December 2021. On 31 December 2022, the effective interest rate of the Group's bank borrowings was 2.07%. On 31 December 2022, bank borrowings of RMB28.9 million were secured by financial assets at FVTPL amounting to RMB30 million. On 31 December 2021, bank borrowings of RMB13.9 million were secured by interest in an associate. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 1.8% as at 31 December 2022 compared to 1.0% as at 31 December 2021.

Net Current Assets

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current Assets		
Inventories	**321,132**	294,947
Trade and other receivables	**479,316**	306,260
Amounts due from related parties	**–**	75
Financial asset at fair value through profit or loss	**105,000**	177,230
Tax recoverable	**3,575**	3,205
Pledged bank deposits	**11,898**	6,574
Bank balances and cash	**214,008**	224,851
	1,134,929	1,013,142
Current Liabilities		
Trade and other payables	**385,247**	297,051
Amount due to a related party	**5,827**	2,033
Tax liabilities	**39,701**	24,609
Bank borrowings	**28,855**	13,866
Contract liabilities	**12,485**	10,523
Lease liabilities	**731**	113
	472,846	348,195
Net Current Assets	**662,083**	664,947

As of 31 December 2022, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances increased by 8.9% from RMB294.9 million as at 31 December 2021 to RMB321.1 million as at 31 December 2022, primarily due to that the newly increase of several medical device businesses during the Reporting Period resulted in an increase in inventory.

Trade and other receivables

The Group's trade and other receivables increased by 56.5% from RMB306.3 million as at 31 December 2021 to RMB479.3 million as at 31 December 2022. Trade receivables turnover days increased from 74.6 days as at 31 December 2021 to 80.6 days as at 31 December 2022, primarily due to relatively slow turnover rate of the account receivable for some newly added medical device business during the Reporting Period.

Trade and other payables

The Group's trade and other payables increased by 29.7% from RMB297.1 million as at 31 December 2021 to RMB385.2 million as at 31 December 2022. The Group's trade payables turnover days decreased from 170.9 days as at 31 December 2021 to 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.

Capital Expenditure

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**74,270**	16,211
Purchases of intangible assets	**40**	3,852
Total	**74,310**	20,063

Indebtedness

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

	Less than 1 year	**Over 1 year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As of 31 December 2022			
Bank borrowings	**28,855**	**–**	**28,855**
Trade payables	**323,522**	**–**	**323,522**
Amounts due to related parties	**5,827**	**–**	**5,827**
Lease liabilities	**731**	**8,007**	**8,738**
As of 31 December 2021			
Bank borrowings	13,866	–	13,866
Trade payables	259,964	–	259,964
Amounts due to related parties	2,033	–	2,033
Lease liabilities	113	71	184

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2022.

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 Group's sales are denominated in Renminbi, while the Group's purchases, expenses and foreign investments are denominated in Renminbi, Hong Kong dollars, Australian dollars, Euro and U.S. dollars. The Group currently does not have any foreign currency hedging policy, but the management continues to monitor foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arises.

Dividend

For the dividends paid during the year ended 31 December 2022, the final dividend of year ended 31 December 2021 and the interim dividend for the six months ended 30 June 2022 was HKD0.064 per share and HKD0.018 per share respectively. The Board proposes a final dividend of HKD0.048, amount to HKD60,357,000 for the year ended 31 December 2022. The expected payment date of final dividend for the year ended 31 December 2022 is 15 June 2023.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2022, the Group had a total of 343 employees. For the year ended 31 December 2022, the staff costs of the Group was RMB75.5 million as compared to RMB66.5 million for the year ended 31 December 2021.

The Group's employee remuneration policy is determined by taking into account factors such as remuneration in the local market, the overall remuneration standard in the industry, the inflation level, corporate operating efficiency and employee performance. The Group conducts performance appraisals once every year for its employees, the results of which are applied in annual salary reviews and promotional assessments. The Group's employees are considered for annual bonuses according to certain performance criteria and appraisals results. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations.

The Group also provides continuous learning and training programs to its employees to enhance their skills and knowledge, so as to maintain their competitiveness and improve customer service. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labor dispute for the Reporting Period.

In addition, the Company adopted a share award scheme (the "**Share Award Scheme**") to recognize the contribution by certain employees including the 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company (the "**AGM**") will be held on Friday,19 May 2023. A notice convening the AGM will be published and dispatched to the shareholders in the manner required by the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 9 May 2023 to Friday, 19 May 2023 both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming AGM to be held on Friday, 19 May 2023. 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 Monday, 8 May 2023.

The register of members of the Company will also be closed from Thursday, 25 May 2023 to Monday, 29 May 2023, in order to determine the entitlement of the shareholders to the final dividend (if approved by the shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Wednesday, 24 May 2023.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules. The Company has complied with the code provisions as set out in the CG Code for the year ended 31 December 2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuer contained in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with such code of conduct for the year ended 31 December 2022.

DIVIDEND POLICY

The Board has approved and adopted a dividend policy (the "**Dividend Policy**"). Under such Dividend Policy, it is anticipated that, subject to compliance with the applicable laws and regulations, the Company will declare dividends semi-annually following the announcement of the interim results and following the announcement of the annual results respectively. Dividends will be declared and paid in Hong Kong dollars.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2022, the Company has repurchased shares on the Stock Exchange, details are as follows:

Month of Repurchase	Number of Shares Repurchased	Highest Price Paid per Share	Lowest Price Paid per Share	Total Paid
		HK$	*HK$*	*HK$*
January 2022	2,600,000	2.00	1.81	5,154,000
April 2022	120,000	2.42	2.42	290,000
Total	2,720,000	–	–	5,444,000

All of the above-mentioned shares bought back were cancelled on 30 June 2022. The Board considers that the value of the shares of the Company in the capital market was undervalued. The market value of the shares was far below their intrinsic value, taking into account the Group's sufficient and strong financial resources. The Board believes that the Company's healthy financial position allows the Company to conduct the above buy-backs while maintaining sufficient financial resources for the continuous growth of the Group's operations. The Board also believes the share buy-backs and subsequent cancellation of the repurchased shares can improve the return to the shareholders.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

SHARE AWARD SCHEME

The Share Award Scheme has a term of 10 years commencing from 10 April 2015 on which the Share Award Scheme was adopted by the Board. The Share Award Scheme is administrated by the Board and the trustee of the Share Award Scheme. As of the date of this announcement, the remaining valid period of the Share Award Scheme is two years and fourteen days. 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 had resolved to grant a total of 25,060,000 awarded shares to 150 selected employees with the award price of HK$5.076 for each awarded share. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. No awarded share had been granted by the Company and no granted awarded share had been vested under the Share Award Scheme during the year ended 31 December 2022. As of the date of this announcement, 73,551,000 shares (approximately 5.85% of the shares in issue) in the Share Award Scheme were available for granting as awarded shares. The maximum number of shares which may be awarded to a grantee shall not exceed 1% of the issued share capital of the Company from time to time. The conditions of each grant and vesting including the period within which the award may be taken up are subject to the discretion of the Board, which shall be made in compliance of the rules of the Share Award Scheme and on case-to-case basis. No payment is required for the acceptance of an award under the Share Award Scheme.

As at the beginning and end of the Reporting Period, there were 61,676,000 shares and 72,251,000 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.

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, the preparation of financial statements and internal control procedures. It also acts as an important link between the Board and the external auditor regarding the scope of the audit work of the Group.

The annual results for the year ended 31 December 2022 of the Group has been reviewed by the Audit Committee and the annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2022.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2022. The Company will submit a resolution in the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/), and the 2022 annual report containing all the information required by the Listing Rules will be despatched to the shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Shanghai Pioneer Holding Ltd
Li Xinzhou
Chairman

Hong Kong, 27 March 2023

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. XIAO Guoguang and Mr. YANG Yuewen as executive Directors, Ms. HU Mingfei as non-executive Director and Mr. ZHANG Hong, Mr. LAI Chanshu and Mr. WONG Chi Hung, Stanley as independent non-executive Directors.