上海先鋒控股有限公司
Shanghai Pioneer Holding Ltd

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 0.7% to RMB1,566.7 million in 2023 from RMB1,556.0 million in 2022.
- Gross profit of the Group decreased by 14.4% to RMB668.2 million in 2023 from RMB780.5 million in 2022.
- Net profit of the Group decreased by 43.9% to RMB129.0 million in 2023 from RMB230.0 million in 2022.
- Basic earnings per share of the Company was RMB0.12 in 2023, which represents a 40.0% decrease compared to RMB0.20 in 2022.

RESULT

The board (the "**Board**") of directors (the "**Director(s)**") 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 2023 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	**2023** **RMB'000**	2022 RMB'000
Revenue	*3*	**1,566,673**	1,556,040
Cost of sales		**(898,434)**	(775,574)
Gross profit		**668,239**	780,466
Other income	*4*	**52,345**	25,532
Other gains and losses	*5*	**(2,661)**	849
Finance costs	*6*	**(2,478)**	(1,713)
Gain on deemed disposal of an associate		**–**	37,825
Impairment losses under expected credit loss model, net of reversal	*7*	**14**	1,549
Distribution and selling expenses		**(422,604)**	(467,744)
Administrative expenses		**(112,106)**	(82,082)
Share of results of associates		**(301)**	(185)
Profit before tax		**180,448**	294,497
Income tax expense	*8*	**(51,451)**	(64,547)
Profit for the year	*9*	**128,997**	229,950
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
– Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of income tax		**(33,528)**	(22,847)
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference on translation of a foreign operation		**–**	(1,601)
– Exchange difference of interests in associates		**(31)**	(580)
Other comprehensive expense for the year		**(33,559)**	(25,028)
Total comprehensive income for the year		**95,438**	204,922
Profit (loss) for the year attributable to:			
Owners of the Company		**145,718**	235,296
Non-controlling interests		**(16,721)**	(5,346)
		128,997	229,950
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**112,159**	210,268
Non-controlling interests		**(16,721)**	(5,346)
		95,438	204,922
		RMB yuan	*RMB yuan*
Earnings per share			
Basic	*10*	**0.12**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Assets			
Property, plant and equipment		**214,582**	194,249
Right-of-use assets		**32,858**	27,316
Intangible assets		**30,191**	37,048
Interests in associates		**7,917**	7,879
Equity instruments at FVTOCI	*12*	**109,221**	148,278
Deposits paid for acquisition of property, plant and equipment and intangible assets		**20,726**	7,157
Deferred tax assets		**2,268**	8,598
Goodwill		**6,213**	6,213
		423,976	436,738
Current Assets			
Inventories	*13*	**417,934**	321,132
Trade and other receivables	*14*	**538,575**	479,316
Financial assets at fair value through profit or loss ("**FVTPL**")	*15*	**10,000**	105,000
Tax recoverable		**3,953**	3,575
Pledged bank deposits		**22,040**	11,898
Cash and cash equivalents		**114,427**	214,008
		1,106,929	1,134,929
Current Liabilities			
Trade and other payables	*16*	**338,230**	385,247
Amounts due to related parties		**5,643**	5,827
Tax liabilities		**17,265**	39,701
Bank borrowings	*17*	**59,971**	28,855
Lease liabilities		**1,301**	731
Contract liabilities		**20,280**	12,485
		442,690	472,846
Net Current Assets		**664,239**	662,083
Total Assets less Current Liabilities		**1,088,215**	1,098,821

	NOTES	**2023**	2022
		RMB'000	*RMB'000*
Capital and Reserves			
Share capital		**77,399**	77,399
Reserves		**929,044**	930,405
Equity attributable to owners of the Company		**1,006,443**	1,007,804
Non-controlling interests		**11,324**	14,685
Total Equity		**1,017,767**	1,022,489
Non-current liabilities			
Deferred tax liabilities		**16,280**	24,725
Lease liabilities		**12,748**	8,007
Deferred income		**41,420**	43,600
		70,448	76,332
		1,088,215	1,098,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL

Shanghai Pioneer Holding Ltd (the "**Company**" and previously known as China Pioneer Pharma Holdings Limited) was 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 was at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. Pursuant to the resolution dated on 25 September 2023, the registered office of the Company have been changed to One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company remains 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 equipment and supplies.

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

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

New and amendments to IFRSs that are mandatorily effect for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the 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
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 IAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. 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. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

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

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3 to the consolidated financial statements.

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months. For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023 and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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:

	2023	2022
	RMB'000	*RMB'000*
Sales of pharmaceutical products	**737,526**	1,305,089
Sales of medical equipment and supplies	**829,147**	250,951
	1,566,673	1,556,040

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 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 equipment and supplies 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 described in note 3. Segment profit represents the profit earned by each segment without allocation of central administrative expenses, distribution and selling expenses, finance costs, 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 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**").

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 2023

	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	**1,265,415**	**301,258**	**1,566,673**
Segment result	**646,695**	**21,544**	**668,239**
Other income			**52,345**
Other gains and losses			**(2,661)**
Impairment losses under expected credit loss model, net of reversal			**14**
Distribution and selling expenses			**(422,604)**
Administrative expenses			**(112,106)**
Finance costs			**(2,478)**
Share of results of associates			**(301)**
Profit before tax			**180,448**

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
Impairment losses under expected credit loss model, net of reversal			1,549
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

Disaggregation of revenue from contracts with customers by major products

	2023	2022
	RMB'000	*RMB'000*
Products sold via the provision of channel management services:		
Alcon	**301,258**	274,891
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Pharmaceutical products	**436,268**	1,030,198
Medical equipment and supplies	**829,147**	250,951
	1,265,415	1,281,149
	1,566,673	1,556,040

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). 2023: 97% (2022: 97%) of non-current assets excluding equity instruments at FVTOCI and deferred tax assets, are located in the PRC, and the remaining 2022: 3% (2022: 3%) are located in 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

	2023	2022
	RMB'000	*RMB'000*
Government grants *(Note)*	**46,680**	8,405
Dividends received from equity instruments at FVTOCI	**3,431**	9,381
Interest income on bank deposits	**585**	2,913
Service income	**–**	1,287
Others	**1,649**	3,546
	52,345	25,532

Note: Government grants amounting to RMB2,180,000 (2022: nil) represented the amount of deferred income released to profit or loss for the year ended 31 December 2023. The remaining amounts of government grants represented cash received from unconditional grants by the local government to encourage the business operations in the PRC which are recognised in profit or loss when received during both years.

5. OTHER GAINS AND LOSSES

	2023 *RMB'000*	2022 *RMB'000*
Net foreign exchange (losses) gains	**(4,612)**	1,288
Gain on fair value change of financial assets at FVTPL	**1,889**	5,312
Gain on early termination of lease	**229**	0
Loss on disposal of property, plant and equipment and intangible asset	**(167)**	–
Impairment losses on interests in associates	**–**	(3,521)
Loss on write-off of intangible assets	**–**	(2,187)
Loss on write-off of property, plant and equipment	**–**	(269)
Gain on disposal of a subsidiary	**–**	226
	(2,661)	849

6. FINANCE COSTS

	2023 *RMB'000*	2022 *RMB'000*
Interest on bank borrowings	**1,997**	1,637
Interest on lease liabilities	**481**	76
	2,478	1,713

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

	2023 *RMB'000*	2022 *RMB'000*
Impairment losses reversed on trade receivables	**(14)**	(1,549)

8. INCOME TAX EXPENSE

	2023 *RMB'000*	2022 *RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**44,899**	65,771
PRC withholding tax on dividends	**8,000**	–
	52,899	65,771
(Over) under-provision in prior year		
PRC EIT	**(2,233)**	416
PRC withholding tax on dividends	**–**	(5,000)
	(2,233)	(4,584)
Deferred tax		
Current year	**785**	3,360
	51,451	64,547

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.

Chongqing Qianfeng Pharmaceutical Co., Ltd. ("**Chongqing Qianfeng**") is qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the applicable tax rate reduced to 15% for a period of 3 years up to 2025.

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:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**180,448**	294,497
Tax at the applicable income tax rate of 25%	**45,112**	73,624
Tax effect of expenses not deductible for tax purpose	**9,752**	6,424
Tax effect of income not taxable for tax purpose	**(1,481)**	(16,872)
Tax effect of tax losses not recognised	**3,697**	7,660
Utilisation of tax losses previously not recognised	**(3,775)**	(9)
Tax effect of concessionary tax rate	**(2,621)**	(1,696)
Overprovision in prior year	**(2,233)**	(4,584)
PRC withholding tax on dividends	**3,000**	–
	51,451	64,547

9. PROFIT FOR THE YEAR

	2023	2022
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**4,509**	3,729
Other staff's retirement benefits scheme contributions	**12,372**	10,696
Other staff costs	**59,707**	61,065
Total staff costs	**76,588**	75,490
Auditor's remuneration	**2,187**	2,061
Depreciation for property, plant and equipment	**10,554**	6,461
Depreciation of right-of-use assets	**1,513**	443
Amortisation of intangible assets	**6,883**	6,728
Cost of inventories recognised as an expense (including provision of write-down of inventories amounting to RMB1,129,000 (2022: reversal of RMB98,000))	**898,484**	775,574

10. EARNINGS PER SHARE

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

	2023	2022
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB145,718,000**	RMB235,296,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,178,461,822**	1,190,884,268

For the years ended 31 December 2023 and 2022, 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 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

11. DIVIDENDS

	2023 ***RMB'000***	2022 *RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Final – RMB0.044 per share	**51,198**	–
2023 Interim – RMB0.022 per share	**26,305**	–
2021 Final – RMB0.052 per share	**–**	64,900
2022 Interim – RMB0.016 per share	**–**	19,756
	77,503	84,656

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HKD0.024 (equivalent to RMB0.022) (2022: HKD0.048 (equivalent to RMB0.044)) per share of final dividend in respect of the year ended 31 December 2022) per share, in an aggregate amount of approximately HKD30,179,000 (equivalent to RMB27,765,000) (2022: HKD60,357,000 (equivalent to RMB51,841,000)), 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

	2023	2022
	RMB'000	*RMB'000*
Listed investments:		
– Equity securities listed in Australia *(Note a)*	**67,307**	92,965
– Equity securities listed in the United States *(Note b)*	**214**	2,013
Unlisted investments:		
– Equity securities A *(Note c)*	**33,700**	43,300
– Equity securities B *(Note d)*	**8,000**	10,000
	109,221	148,278

Notes:

a) The amount represents equity investment in 9.24% ordinary shares of Paragon Care Limited ("**Paragon**").

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 was recognised in profit or loss for the year ended 31 December 2022.

As at 31 December 2023, the fair value of the Group's interest in Paragon, of which its shares are listed on the Australian Securities Exchange, was Australian Dollars ("**AUD**") 13,882,000 (equivalent to RMB67,307,000) based on the quoted market price available on the Australian Securities Exchange.

b) The amount represents equity investment in 1.39% ordinary shares of NovaBay Pharmaceuticals, Inc. ("**NovaBay**"). This investment was not held for trading, instead, it was held for long-term strategic purpose.

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

As at 31 December 2023, the fair value of the Group's interest in NovaBay, of which its shares are listed on the New York Stock Exchange, was United States Dollars ("**US$**") 30,000 (equivalent to RMB214,000) based on the quoted market price available on the New York Stock Exchange.

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 2023, the Shanghai Fund received contributions from shareholders of approximate RMB155 million (2022: RMB170 million), among which the Group injected approximate RMB15.5 million (2022: RMB17 million) which accounted for 10% (2022: 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 2023 and 31 December 2022, the Jiaxing Fund received contributions from shareholders of approximate RMB151 million, among which the Group injected approximate 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 believed 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 their performance potential in the long run.

13. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2023, inventories included goods in transit of RMB43,830,000 (2022: RMB35,693,000).

During the year ended 31 December 2023, write-down of inventories of RMB1,129,000 (2022: reversal of RMB98,000) has been recognised by the Group and included in cost of sales.

14. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**450,702**	415,739
Less: Allowance for credit losses	**(2,284)**	(2,585)
	448,418	413,154
Other receivables, prepayments and deposits	**39,619**	21,565
	488,037	434,719
Advance payment to suppliers	**10,567**	19,504
Other tax recoverable	**39,971**	25,093
Total trade and other receivables	**538,575**	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 180 days to its trade customers.

As at 1 January 2022, trade receivables from contracts with customers amounted to RMB239,650,000.

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:

	2023	2022
	RMB'000	*RMB'000*
0 to 60 days	**338,391**	333,627
61 days to 180 days	**91,581**	65,619
181 days to 1 year	**15,820**	12,478
1 year to 2 years	**2,626**	1,430
	448,418	413,154

As at 31 December 2023, total bills received amounting to RMB36,757,000 (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 one year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB22,566,000 (2022: RMB36,091,000) which are past due as at the reporting date. Out of the past due balances, RMB2,048,000 (2022: RMB2,682,000) 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 RMB36,757,000 (2022: RMB20,145,000), the Group does not hold any collateral over these balances.

15. FINANCIAL ASSETS AT FVTPL

	2023	2022
	RMB'000	*RMB'000*
Unlisted investments:		
– Structured bank deposits	**10,000**	105,000

During the year ended 31 December 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 1.66% per annum (31 December 2022: 1.66% to 3.1% per annum), while the total expected return is up to 2.6% to 3.25% per annum (31 December 2022: 2.2% to 4% per annum). The contracts are with maturity on or before 14 March 2023 or are redeemable on demand (2022: on or before 8 February 2023 or are redeemable on demand).

16. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**284,946**	323,522
Payroll and welfare payables	**4,911**	4,376
Other tax payables	**512**	83
Accrued marketing service fee	**3,451**	30,606
Deposits received from distributors	**10,895**	13,008
Other payables to a third party *(Note)*	**20,000**	–
Other payables and accrued charges	**13,514**	13,652
	338,230	385,247

Note: Amount represented advance from a third party which is unsecured, non-interest bearing and repayable on 31 May 2024.

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:

	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**135,255**	186,914
91 to 180 days	**117,328**	136,608
181 to 365 days	**689**	–
Over 365 days	**31,674**	–
	284,946	323,522

17. BANK BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Carrying amount of bank borrowings repayable within one year and shown under current portion	**59,971**	28,855
Analysed as:		
Secured	**59,971**	28,855

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

	2023	2022
	RMB'000	*RMB'000*
Pledge of assets		
Pledged bank deposits for letter of credit	**22,040**	11,898
Financial assets at FVTPL	**10,000**	30,000
Property, plant and equipment	**16,925**	–
	48,965	41,898

The effective interest rate on the Group's fixed rate borrowings are ranging from 1.45% to 3.95% per annum (2022: the fixed rate borrowings is 2.07% per annum).

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

2023 is the first year since the resumption of normal operations after the epidemic. Looking back at the overall landscape of the pharmaceutical and biological industry, influenced by multiple factors such as the epidemic, macro environment and industry policies over the past three years, the pharmaceutical industry is undergoing profound changes and experiencing a transformation from quantitative change to qualitative change. After five years of multiple rounds of bidding, the centralized volume-based procurement of drugs ("**CVBP**") has basically covered all categories as much as possible and entered into a new stage of normalization and institutionalization, forming a pattern in which there are varieties of chemical drugs, biologics and Chinese patent medicines to be purchased, and the national, provincial, municipal and inter-regional alliances are promoting the program in a concerted manner at multiple levels. In terms of innovative drugs, the approval has shifted from loose to tightening, while the payment is becoming more and more friendly, with shorter intervals between product launch and batch release. In the long run, medical anti-corruption has made the industry ecosystem more transparent and purified. Although the CVBP as a whole 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 Group, it will be benefited 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. During the Reporting Period, the Group has ensured the stable market layout of the products by reasonably implementing the promotion strategy. 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 channels and businesses, which has effectively ensured the normal and stable development of the Group's business. The Group will leverage on its advantages in product quality and brand image and strengthen the academic promotion of its products to seize opportunities to further develop its business amidst a changing and challenging market environment.

In terms of medical devices, with the improvement of living standards and the acceleration of domestic aging beyond expectations, China's medical device industry maintains rapid growth and the size of various market segments has further expanded, leading to rapid expansion of the domestic market. The CVBP policy is undergoing continuous adjustment and improvement and its rules continue to be optimized and improved. Meanwhile, the medical device review and approval system is constantly being promoted with the continuous optimization of the process, all of which contribute to the efficiency improvement of drugs and devices launch. Policies such as the Special Review Procedure for Innovative Medical Devices (《創新醫療器械特別審查程序》) and the Priority Approval Procedure for Medical Devices (《醫療器械優先審批程序》) prioritize the rapid approval of innovative and clinically urgent products, which will have a positive impact on the market. We have also noticed that several pharmaceutical distribution companies have increased their investment in medical device business or carried out mergers and reorganizations through capital operations, significantly increasing their market share in the field of medical device distribution.

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.

Also, in December 2023, Chongqing Pioneer Pharma Co., Ltd. (重慶先鋒醫藥有限公司, "**Chongqing Pioneer**"), a subsidiary of the Group, signed an intellectual property rights transfer agreement with Q3 Medical Devices Limited (Q3醫療器械有限公司, "**Q3 Medical**"), pursuant to which Chongqing Pioneer has agreed to acquire all rights and interests in Mainland China of all the intellectual property rights (patents and know-hows) owned by Q3 Medical as of the signing date, as well as newly developed by Q3 Medical within three years after the signing date. Q3 Medical has the most advanced biodegradable technologies across the World. Its two degradable stents, Archimedes and Unity B, are the only marketed biliary and pancreatic biodegradable stents worldwide nowadays.

The Group is of the view that the acquisition of all intellectual property rights of Q3 Medical in Mainland China, and the establishment of factories for the development and research, manufacture and sales of the above innovative medical products shall benefit the Company's future strategic transformation, enhance the competitiveness of the Company's products and promote the steady growth of our business. Furthermore, accelerating the registration and localization of our innovative products in China will facilitate early access for Chinese patients to the world's most advanced medical products. It will also demonstrate the social effect of the acquisition.

For the Reporting Period, the Group's revenue increased by 0.7% to RMB1,566.7 million (2022: RMB1,556.0 million), gross profit decreased by 14.4% to RMB668.2 million (2022: RMB780.5 million) and net profit for the year decreased by 43.9% to RMB129.0 million (2022: RMB230.0 million).

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 9.6% compared to last year to RMB301.3 million, representing 19.2% of the Group's revenue for the Reporting Period. Gross profit increased by 7.2% compared to last year to RMB21.5 million, representing 3.2% of the Group's gross profit for the Reporting Period.

1. Product Development

As of 31 December 2023, the Group had a product portfolio of pharmaceutical products (mostly being prescription products) covering ophthalmology, pain management, cardiovascular diseases, immunology, gynecology, gastroenterology and other therapeutic areas; and medical devices covering several medical specialties including ophthalmology, odontology and wound care products.

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

Category	**2023**	**Percentage of the Group's total revenue/ gross profit**	2022	Percentage of the Group's total revenue/ gross profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
Revenue:				
Pharmaceutical Products	**436,268**	**27.8**	1,030,198	66.2
Medical equipment and supplies	**829,147**	**52.9**	250,951	16.1
Gross Profit:				
Pharmaceutical Products	**287,702**	**43.1**	634,844	81.3
Medical equipment and supplies	**358,993**	**53.7**	125,616	16.1

During the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 57.7% compared to last year to RMB436.3 million, representing 27.8% of the Group's revenue for the Reporting Period. Gross profit decreased by 54.7% compared to last year to RMB287.7 million, representing 43.1% of the Group's gross profit for the Reporting Period.

For the Reporting Period, the Group's revenue generated from the sales of Difene has decreased 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 first half of 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 CVBP and other factors, the access times of products in some provinces have been overall, resulting in a narrower development window period. As a result of the above, the sales volume of Difene declined during the first half of the Reporting Period. In the second half of the Reporting Period, the sales of Difene achieved a surprisingly pleasant rebound as compared to the first half of the year after gradually shaking off the effects of the unfavorable factors mentioned above. 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 products' unique competitive advantage of dual-release formulation.

The cardiovascular product Zanidip, as a product on which the Group holds high expectations, achieved rapid growth during the Reporting Period. The Group had accomplished high-speed positive growth in sales revenue of Zanidip through in-depth exploration of the product's unique features, strict implementation of professional academic promotion strategies, active expansion and deepening of the network of clinical experts, and expansion of its brand influence through brand management. By making use of Zanidip' inclusion in the national CVBP catalog (集採目錄), the Group fully grasped the opportunity of market capacity expansion, explored several new markets through reasonable bidding strategies, and continuously increased the market share of Zanidip through close follow-up and effective participation in clinical promotion work. The Group believes that Zanidip still has the potential for sustained growth by virtue of its leading position in quality among similar products, better market layout, and people's increasing awareness of clinical prevention and treatment of hypertension.

During the Reporting Period, the Company's medical devices business demonstrated explosive growth. For example, the Group's several dental medical device products such as Zenostar®systems, and several medical device products in cardiology, and NeutroPhase (a wound cleanser) all achieved solid growth. The Group believes that a medical device distribution enterprise with extensive market coverage, efficient management capabilities and high quality services will benefit from the development trend of centralization and flattening of the industry, further consolidate its pivotal position in the industry chain, and utilize its scale and management advantages to reduce the overall operating costs of the industry chain and enhance operational efficiency. The Group will continue to improve the market footprint of its medical device products and strengthen its promotional efforts in order to continuously enhance the business segment's revenue contributions to the Group.

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 230.4% compared to last year to RMB829.1 million, representing 52.9% of the Group's revenue for the Reporting Period. Gross profit increased by 185.8% compared to last year to RMB359.0 million, representing 53.7% of the Group's gross profit for the Reporting Period.

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

Category	**2023**	**Percentage of the Group's total revenue/ gross profit**	2022	Percentage of the Group's total revenue/ gross profit
	RMB'000	***(%)***	*RMB'000*	*(%)*
Revenue:				
Alcon series ophthalmic pharmaceutical products	**301,258**	**19.2**	274,891	17.7
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**21,544**	**3.2**	20,006	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 9.6% compared to last year to RMB301.3 million, representing 19.2% of the Group's revenue for the Reporting Period. Gross profit increased by 7.7% compared to last year to RMB21.5 million, representing 3.2% 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 launch process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceutical and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

2. Marketing Network Development

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 academic support 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 an in-house sales and product academic support team for each product business unit, to manage and support their third-party promotion partners. In the environment of complex 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 direct involvement by its internal marketing team in the marketing activities such as product academic promotion, 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 their professional knowledge of the products by 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 development of the Group's products. 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

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 2023.

3.1 Investment in DMAX Co., Ltd.

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 8,906 shares to Pioneer Pharma (Hong Kong) Co., Limited at 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 became 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 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.

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

As of 31 December 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 an equity instrument at FVTOCI, representing an amount of RMB33.7 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various target enterprises within the pharmaceutical industry. As at 31 December 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. For the 12 months ended 31 December 2023, the Group recorded an unrealized loss RMB8.1 million of its investment in the fund. As of 31 December 2023, 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 RMB8 million, has been recognized as an equity instrument at FVTOCI. As at 31 December 2023, the Group held 6.62% of the equity interest in Jiaxing Yuhan. Jiaxing Yuhan was incorporated in the PRC and specializes in making equity investment in various target enterprises within the pharmaceutical industry. For the 12 months ended 31 December 2023, the Group recorded an unrealized loss RMB

2 million of its investment in the fund. 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, explore and ascertain targets of growth potential in the pharmaceutical industry to identify business partnering and investment opportunities, and to achieve development goals in the long run.

3.3 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 production base began. The planned construction area of this production base in the project is over 40,000 m^2. As at the end of 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.

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 of products and profitability of the Group.

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

On 23 February 2022, the Company, through Xiantao Pioneer Pharma Co., Ltd. (仙桃先鋒醫療服務有限公司, the "**Xiantao Pharma**"), its wholly-owned subsidiary, entered into a capital increase agreement with 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**"), pursuant to which, the Company increased the capital of Hunan Tiantong Environmental Protection Co., Ltd. (湖南天童環保有限公司, the "**Hunan Tiantong**") by RMB27.5 million and held 55% of its interests. After the completion of the capital increase, Hunan Tiantong became a subsidiary of the Company. In December 2022, the Company, through Xiantao Pharma, entered into a capital increase agreement with Tiandao Medical and Mr. Xiao, pursuant to which, the Company increased the capital of Hunan Tiantong by RMB49.75 million and held 75% of its interests.

Hunan Tiantong is positioned to focus on the surface cleaning market of rare metals such as stainless steel and titanium-nickel, as well as the neutral and environmentally friendly chemical solvent cleaning market with promising prospects. Hunan Tiantong will continue to increase research investment and strengthen cooperation with top universities and other research institutions in China for the development and iteration of chemical solvents and the enhancement of stability and energy conservation of process. It will accelerate project finalization and stable production, and expand industrial footprint in major stainless steel production bases across the country. On the basis of energy conservation and consumption reduction, it will expand the commercial value space of new technology application and provide customers with superior products and services. In the meantime, Hunan Tiantong will independently develop chemical solvent as patented products with its own intellectual property rights to explore the market feasibility of external sales. Leveraging on the above technological advantages and in response to China's policy requirements, Hunan Tiantong will strive to seize leading advantages in environmental protection with the aim to create favorable profits and returns for the Group and its shareholders in the future.

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 environmental industry technology at internationally advanced level to seek a reliable commercial road while adhering to the existing principal businesses 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 0.7% from RMB1,556.0 million in 2022 to RMB1,566.7 million in 2023. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services decreased by 57.7% from RMB1,030.2 million in 2022 to RMB436.3 million in 2023, 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 in the first half of the Reporting Period. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 230.3% from RMB251.0 million in 2022 to RMB829.1 million in 2023, 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 co-promotion and channel management services increased by 9.6% from RMB274.9 million in 2022 to RMB301.3 million in 2023.

Cost of sales

Cost of sales increased by 15.8% from RMB775.6 million in 2022 to RMB898.4 million in 2023, 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 decreased by 62.4% from RMB395.4 million in 2022 to RMB148.6 million in 2023. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services increased by 275.1% from RMB125.3 million in 2022 to RMB470.2 million in 2023. Cost of sales for products sold via the provision of co-promotion and channel management service increased by 9.7% from RMB254.9 million in 2022 to RMB280.0 million in 2023.

Gross profit and gross profit margin

Gross profit decreased by 14.4% from RMB780.5 million in 2022 to RMB668.2 million in 2022. The Group's average gross profit margin decreased from 50.2% in 2022 to 42.7% in 2023. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased from 61.6% in 2022 to 65.9% in 2023. Compared with the same period of last year, the Group's gross profit margin increased slightly during the Reporting Period. The Group's gross profit margin for medical equipment and supplies sold via the provision of comprehensive marketing, promotion and channel management services decreased from 50.1% in 2022 to 43.3% in 2023. The Group's gross profit margin for products sold via the provision of co-promotion and provision of channel management services decreased from 7.3% in 2022 to 7.2% in 2023.

Other income

Other income increased by 105.0% from RMB25.5 million in 2022 to RMB52.3 million in 2023, primarily due to the increase in government subsidies.

Distribution and selling expenses

Distribution and selling expenses decreased by 9.7% from RMB467.7 million in 2022 to RMB422.6 million in 2023, mainly due to the fact that the Group strengthened the efficiency control of its marketing activities and expenses during the Reporting Period, as well as reduced part of the investment in marketing expenses after the initial investment had achieved certain results. Distribution and selling expenses as a percentage of revenue decreased from 30.1% in 2022 to 27.0% in 2023.

Administrative expenses

Administrative expenses increased by 36.6% from RMB82.1 million in 2022 to RMB112.1 million in 2023, mainly due to the increase in asset depreciation and amortization as well as research and development expenses during the Reporting Period. Administrative expenses as a percentage of revenue increased from 5.3% in 2022 to 7.2% in 2023.

Finance costs

Finance costs increased by 44.7% from RMB1.7 million in 2022 to RMB2.5 million in 2023 primarily due to the increase in bank borrowings during the Reporting Period.

Other gains and losses

The Group's other gains and losses decreased from RMB0.8 million in 2022 to RMB-2.7 million in 2023 mainly due to the increase in foreign exchange losses during the Reporting Period.

Income tax expense

Income tax expense decreased by 20.3% from RMB64.5 million in 2022 to RMB51.5 million in 2023. The Group's effective income tax rate in 2023 and 2022 were 28.5% and 21.9%, respectively. Since the beginning of 2019, the Group has been conducting business primarily through Naqu Area Pioneer Pharma Co., Ltd (那曲地區先鋒醫藥有限公司) and Chongqing Pioneer and Chongqing Pioneer was subject to Enterprise Income Tax rate of 25%.

Profit for the year

As a result of the above factors, the Group's profit decreased by 43.9% from RMB230.0 million in 2022 to RMB129.0 million in 2023. The Group's net profit margin decreased from 14.8% in 2022 to 8.2% in 2023.

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 RMB214.0 million as of 31 December 2022 to RMB114.4 million as of 31 December 2023.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2023:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Net cash (used in) from operating activities	**(118,686)**	93,295
Net cash from (used in) investing activities	**69,507**	(12,993)
Net cash used in financing activities	**(50,562)**	(91,025)
Net decrease in cash and cash equivalents	**(99,741)**	(10,723)
Cash and cash equivalents at beginning of the year	**214,008**	224,851
Effect of foreign exchange rate changes	**160**	(120)
Cash and cash equivalents at end of the year	**114,427**	214,008

Net cash used in operating activities

In 2023, the Group's net cash used in operating activities was RMB118.7 million compared to net cash from operating activities of RMB93.3 million in 2022. This was mainly due to decrease in net profit.

Net cash from investing activities

In 2023, the Group's net cash from investing activities was RMB69.5 million compared to net cash used in in investing activities of RMB13.0 million in 2022. This was mainly due to the redemption of structured bank deposits purchased with temporarily idle funds during the Reporting Period.

Net cash used in financing activities

In 2023, the Group's net cash used in financing activities was RMB50.6 million compared to net cash used in financing activities of RMB91.0 million in 2022. This was mainly due to the year-on-year increase in bank borrowings during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB60.0 million as at 31 December 2023 compared to RMB28.9 million as at 31 December 2022. On 31 December 2023, the effective interest rate of the Group's bank borrowings was between 1.45% to 3.95%. As at 31 December 2023, bank borrowings of RMB30.0 million were secured by financial assets at FVTPL amounting to RMB10.0 million and bank deposit of RMB20.0 million. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 3.9% as at 31 December 2023 compared to 1.8% as at 31 December 2022.

Net Current Assets

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current Assets		
Inventories	**417,934**	321,132
Trade and other receivables	**538,575**	479,316
Amounts due from related parties	**–**	–
Financial asset at fair value through profit or loss	**10,000**	105,000
Tax recoverable	**3,953**	3,575
Pledged bank deposits	**22,040**	11,898
Bank balances and cash	**114,427**	214,008
	1,106,929	1,134,929
Current Liabilities		
Trade and other payables	**338,230**	385,247
Amount due to a related party	**5,643**	5,827
Tax liabilities	**17,265**	39,701
Bank borrowings	**59,971**	28,855
Contract liabilities	**20,280**	12,485
Lease liabilities	**1,301**	731
	442,690	472,846
Net Current Assets	**664,239**	662,083

As of 31 December 2023, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances increased by 30.1% from RMB321.1 million as at 31 December 2022 to RMB417.9 million as at 31 December 2023, mainly due to the increase in corresponding inventory reserves in response to the increase in sales of medical devices during the Reporting Period.

Trade and other receivables

The Group's trade and other receivables increased by 12.4% from RMB479.3 million as at 31 December 2022 to RMB538.6 million as at 31 December 2023. Trade receivables turnover days increased from 80.6 days as at 31 December 2022 to 100.9 days as at 31 December 2023, 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 decreased by 12.2% from RMB385.2 million as at 31 December 2022 to RMB338.2 million as at 31 December 2023. The Group's trade payables turnover days decreased from 137.3 days as at 31 December 2022 to 123.6 days as at 31 December 2023, 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	
	2023	2022
	RMB'000	*RMB'000*
Purchases of property, plant and equipment	**30,922**	74,270
Deposit paid for acquisition of intangible assets	**13,569**	–
Purchases of intangible assets	**65**	40
Total	**44,556**	74,310

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 *RMB'000*	**Over 1 year** *RMB'000*	**Total** *RMB'000*
As of 31 December 2023			
Bank borrowings	**59,971**	**–**	**59,971**
Trade payables	**284,946**	**–**	**284,496**
Amounts due to related parties	**5,643**	**–**	**5,643**
Lease liabilities	**1,301**	**12,748**	**14,049**
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

Contingent Liabilities

The Group had no material contingent liabilities as of 31 December 2023.

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 2023, the final dividend of the year ended 31 December 2022 and the interim dividend for the six months ended 30 June 2023 was HKD0.048 per share and HKD0.024 per share respectively. The Board proposes a final dividend of HKD0.024, amount to HKD30,179,000 for the year ended 31 December 2023. The expected payment date of final dividend for the year ended 31 December 2023 is 19 June 2024.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2023, the Group had a total of 345 employees. For the year ended 31 December 2023, the staff costs of the Group was RMB76.6 million as compared to RMB75.5 million for the year ended 31 December 2022.

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 the quality of 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 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, 24 May 2024. A notice convening the AGM will be published on the websites of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (http://www.hkexnews.hk) and the Company (http://www.pioneer-pharma.com/) in the manner required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 May 2024 to Friday, 24 May 2024 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, 24 May 2024. Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 14 May 2024 (Hong Kong time) are eligible to attend the AGM. 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, 13 May 2024.

The register of members of the Company will also be closed from Thursday, 30 May 2024 to Monday, 3 June 2024, in order to determine the entitlement of the shareholders to the final dividend (if approved by the shareholders). A final dividend will be paid by the Company to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 May 2024 (Hong Kong time). 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, 29 May 2024.

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 C1 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 2023. 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 Issuers contained in Appendix C3 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 2023.

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 2023, the Company has not purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), during the Reporting Period, 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 2023 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 2023.

AUDITOR

The Company appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended 31 December 2023.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2023 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 2023 annual report containing all the information required by the Listing Rules will be 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, 25 March 2024

As at the date of this announcement, the Directors are Mr. LI Xinzhou, Mr. YANG Yuewen and Mr. ZHANG Quan 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.