



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

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

先機為重  
*Pioneering Success*  
鋒行天下

2024

INTERIM REPORT

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Xinzhou (*Chairman*)  
Mr. Yang Yuewen  
Mr. Zhang Quan

### Non-executive Director

Ms. Hu Mingfei

### Independent Non-executive Directors

Mr. Zhang Hong  
Mr. Lai Chanshu  
Mr. Zhang Changhai

## AUDIT COMMITTEE

Mr. Zhang Changhai (*Chairman*)  
Mr. Zhang Hong  
Ms. Hu Mingfei

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## AUTHORIZED REPRESENTATIVES

Mr. Li Xinzhou  
Ms. Ng Ka Man

## COMPANY SECRETARY

Ms. Ng Ka Man

## REGISTERED OFFICE

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

## CORPORATE HEADQUARTER

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR

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

## AUDITOR

BDO Limited  
*Registered Public Interest Entity Auditors*

## LEGAL ADVISOR

Zhong Lun Law Firm

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

01345

## COMPANY'S WEBSITE

<http://www.pioneer-pharma.com>

# Financial Highlights

- Revenue of the Group for the six months ended 30 June 2024 was RMB818.0 million, which represents a 11% increase compared to RMB736.9 million for the same period last year.
- Gross profit of the Group for the six months ended 30 June 2024 was RMB350.5 million, which represents a 10.8% increase compared to RMB316.4 million for the same period last year.
- Net profit of the Group for the six months ended 30 June 2024 was RMB87.9 million, which represents a 21.6% increase compared to RMB72.3 million for the same period last year.
- Basic earnings per share of the Company was RMB0.08 for the six months ended 30 June 2024, which represents a 14.3% increase compared to RMB0.07 for the same period last year.

	For the six months ended 30 June				2024 RMB'000 (unaudited)
	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2023 RMB'000 (unaudited)	
<b>Operating results</b>					
Revenue	622,495	685,833	659,410	736,911	<b>817,973</b>
Gross profit	251,676	378,355	356,360	316,427	<b>350,493</b>
Profit before income tax	60,097	98,013	149,687	90,412	<b>121,323</b>
Profit for the period	30,353	68,141	121,566	72,260	<b>87,876</b>
Profit for the period, all attributable to the owners of the Company	30,767	68,888	122,218	77,001	<b>94,955</b>

# Company Overview

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

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

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

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

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

In recent years, Pioneer Holding has been implementing the strategy of industrial chain extension and diversification by setting up the production base in Rongchang, Chongqing. This project is a significant strategic plan of the Group, which will direct the Group’s transformation from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development, production and sales. Through such series of measures, the Group hopes to respond to the national policy of industry development by turning the Rongchang production base (“**Rongchang Production Base**”) into an open technology platform, introducing new technologies and new products, and realizing the localization of high-quality imported products, and give full play to the comprehensive advantage of manufacturing and sales integration of the Group, resulting in constant improvement of the market competitiveness of the products and revenue of the Group.

# Management Discussion and Analysis

## REVIEW OF OPERATIONS

In the first half of 2024, China's economy improved steadily, with gross domestic product (GDP) reaching RMB61,683.6 billion, representing a 5.0% year-on-year increase. Resident income increased steadily, and per capita disposable income increased by 5.3% in real term to RMB20,733. With the recovery of the economy and the increase of resident income, resident consumption expenditures also showed a trend of growth. As for healthcare, per capita consumption expenditures amounted to RMB1,271, representing an increase of 4.2% and accounting for 9.3% of per capita consumption expenditures, which indicated that residents are taking health and healthcare more seriously.

Healthcare expenditure is expected to continue to increase under the combined effect of multiple factors, such as increased health awareness among residents and more serious aging population problem. Meanwhile, with the promotion of new industrialization by the state and the implementation of strategic tasks such as accelerating the building of national strength in manufacturing and product quality, the healthcare industry, as an important part of the high-tech industry, will continue to serve as a key driving force for a new round of economic growth. To this end, the PRC government has continuously launched relevant policies in recent years to promote the gradual maturation and improvement of medical reform. Domestic medical reform policies in 2024 mainly focus on the synergistic development and governance of medical insurance, healthcare and pharmaceuticals. It is intended to promote the development of the pharmaceutical and healthcare industry in a more efficient and impartial way through centralized procurement, innovation in payment methods for medical insurance and dynamic adjustment of medical service charges.

Specifically, in the area of pharmaceutical distribution, the domestic volume-based procurement policy was introduced to promote the construction of a mechanism for drug procurement by regional and national alliances through provincial drug bidding and procurement agencies, unify product code, standards and functional specifications, and promote information interconnection, resource sharing and policy linkage. Various policies and measures have been implemented to enhance the accessibility of drugs and introduce higher standards for the quality of drugs in the market, such as standardisation of nationwide pharmaceutical distribution practice, policy guidance to explore new forms and modes of business, acceleration in industry innovation, improvement in the function of urban and rural pharmaceutical distribution, enhancement in pharmaceutical distribution capabilities, and the development of digital pharmaceutical distribution. Such policies and measures will also create a long-term boost for focusing on the provision of high-quality marketing, promotion and management services for medical products.

In addition, China's policy on imported pharmaceutical products in 2024 demonstrates the state's in-depth attention to and strategic layout of the healthcare sector. In 2024, the PRC government implemented a zero-tariff policy on certain pharmaceutical products and raw materials for anti-cancer drugs and drugs for rare diseases to reduce the cost of imports. Moreover, National Medical Products Administration (NMPA) of the PRC accelerated the pace of introducing new imported drugs and improved their market accessibility by streamlining the approval process for new imported drugs. The PRC government also emphasised the promotion of technological upgrading and industrial structure optimisation of the domestic pharmaceutical product industry through the introduction of internationally advanced pharmaceutical products. It has also strengthened the cooperation and exchanges with drug regulatory bodies in the world to enhance its drug regulations to the international level.

For the Group, the high-quality development of the healthcare industry and the policy on imported pharmaceutical products will significantly boost the Group's business development. The Group is committed to introducing internationally advanced pharmaceutical products and medical devices into China market so as to bring benefits to a vast amount of patients. As an enterprise with international vision, the Group has established long-term and stable partnerships with a number of renowned pharmaceutical and medical device manufacturers around the world. It has also established an extensive sales network in China market, laying a solid foundation for the Company's brand building. The Group will continue to meticulously formulate and implement a series of promotional strategies to consolidate and expand the market layout for its products and steadily increase its product sales.

## 1. Product Development

As at 30 June 2024, the Group had a product portfolio of pharmaceutical products (mostly being prescription medicine) covering ophthalmology, pain management, cardiovascular disease, immunology, gynecology, gastroenterology and other treatment areas; and medical device products covering several treatment areas including ophthalmology, odontology, cardiology and wound care.

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

Category	For the six months ended 30 June			
	2024 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2023 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Pharmaceutical Products	248,470	30.4	204,856	27.8
Medical Devices	427,675	52.3	397,815	54.0
Gross Profit:				
Pharmaceutical Products	182,437	52.1	127,682	40.4
Medical Devices	159,242	45.4	181,267	57.3

During the six months ended 30 June 2024 (the “**Reporting Period**”), revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 21.3% compared to last year to RMB248.5 million, representing 30.4% of the Group’s revenue for the Reporting Period. Gross profit increased by 42.9% compared to last year to RMB182.4 million, representing 52.1% of the Group’s gross profit for the Reporting Period.

During the Reporting Period, the Group saw an encouraging rebound in revenue from pharmaceutical products as compared to the same period in 2023, especially for the Group’s key product, Difene. As stated in the Company’s 2023 annual report, 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 2023, which has led to the decrease in the procurement of related drugs for the same period in 2023. Moreover, under the influence of the centralized volume-based procurement of drugs (“**CVBP**”) and overdraft of the medical insurance fund in some provinces, the access times of products in some provinces have been extended, resulting in a narrower development window period. During the Reporting Period, the sales volume of Difene rebounded significantly as compared to the same period in 2023 after the gradual recovery from the impact of the unfavourable factors mentioned above.

As a product on which the Group holds high expectations, the cardiovascular product Zanidip also achieved growth in sales volume during the Reporting Period, further expanding its market share. 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's 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 revenue generated from the sales of medical devices through comprehensive marketing, promotion and channel management services amounted to RMB427.7 million, representing a stable performance. 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 layout of its medical device products and strengthen its promotional efforts in order to continuously enhance the business segment's revenue contributions to the Group.

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. The Group is currently accelerating the clinical registration of Q3 Medical's imported innovative products and the construction of its localised production line in the Group's own Rongchang plant in Chongqing, and has recently secured a cash financing of RMB9 million from its partner, which has fully demonstrated the market's recognition of Q3 Medical's series of innovative products.



**1.2 Products Sold via the Provision of Channel Management Services**

Category	For the six months ended 30 June			
	2024 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)	2023 RMB'000 (unaudited)	Percentage of the Group's Total Revenue/ Gross Profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	141,828	17.3	134,240	18.2
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	8,814	2.5	7,478	2.4

For the Reporting Period, the Group's revenue generated from this segment increased by 5.7% compared to the same period last year to RMB141.8 million, representing 17.3% of the Group's revenue for the Reporting Period. Gross profit increased by 17.9% compared to the same period last year to RMB8.8 million, representing 2.5% of the Group's gross profit for the Reporting Period.

**1.3 Product Pipeline**

The Group is dedicated to exploring opportunities for distributing, promoting and selling prospective products of overseas pharmaceuticals and medical device companies. In addition to the existing products referred to above, product pipeline development is also at the core of the Group's strategy of expanding and optimizing its product portfolio. The Group's aim is to build up a product pipeline that will sustain the Group's long-term growth. When selecting prospective product candidates, the Group considers comprehensive factors such as clinical effectiveness of the products, competitive environment, registration and regulatory regime and reputation of suppliers.

In accordance with the requirement of "Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》)" issued by General Office of the State Council, several reform measures in respect of Chinese pharmaceuticals and medical devices approval policies were push forward. In particular, the optimization of clinical trial review and approval procedures, as well as the acceptance of overseas clinical trial data, will result in accelerating the launching process in China for overseas high-quality pharmaceuticals and medical devices. The Group proactively maintains close liaison with a number of overseas pharmaceuticals and medical device companies in order to timely introduce their products with potentials or market foundations for marketing, promotion and sales.

The Group has been proactively seizing the opportunities arising from the medical reform in China to promote the continuous development and innovation of the Company through a series of strategic initiatives. In terms of product development and introduction, the Group keeps abreast of the cutting-edge technologies in the international pharmaceutical industry and continuously introduces high-quality pharmaceutical products to meet market demands. Through the cooperation with international leading enterprises, the Group not only enhances the competitiveness of its own products, but also brings more options for medical treatment to patients in China. In terms of marketing and promotion efforts, the Group thoroughly explores the market potential of its products, and further increases the market coverage of its products through precise market positioning and effective marketing strategies. The Group will also leverage its established marketing network and promotion capabilities to strengthen its cooperation with medical institutions to enhance the visibility and influence of its products.

## 2. Marketing Network Development

As the sole importer of overseas medical products served by the Group into China, during the Reporting Period, the Group has continually refined the network of distributors and consolidated product distribution channels to meet the requirements of “Two-Invoice System”. Meanwhile, it also helps to enhance the Group’s operational efficiency and prevent operational risk.

The Group’s marketing and promotion model involves both in-house teams and third-party promotion partners. To maintain the efficiency and stability of the marketing network, the Group has established an in-house sales and product academic support team for each product business unit, to manage and support their third-party promotion partners. The Group’s marketing and promotional activities are carried out by the in-house teams and third-party promotion partners. The in-house teams are primarily responsible for formulating marketing and promotion strategies, conducting pilot marketing programs, and appointing, training and supervising third-party promotion partners. Third-party promotion partners are responsible for most of the day-to-day marketing and promotional activities for the Group’s products.

During the Reporting Period, the Group continued to implement the operational mechanism of product business unit divided by products or product series, and conducted products’ promotion and sales work. In the environment of complex policies and intense market competition within the pharmaceutical industry, the Group constantly adjusted and optimized all components within the marketing network, with the aim of strengthening rapid market responses, as well as effective and professional product promotion activities. During the Reporting Period, with the more attention paid by the Group to the academic training of the in-house marketing teams, the Group strengthened the frequency and depth of the academic promotion activities involved by the internal marketing team, so as to raise the core driving force for the product promotion. According to the market situation, the Group has also increased its efforts in optimizing the network structure of the third-party promotion partners, improved the understanding and knowledge for the products of the third-party promotion partners through providing further large-scale and regular trainings, and assist them in providing doctors with clinical solutions related to the products. Through close collaboration between in-house marketing teams and third-party promotion partners, the Group shared pharmaceutical policy and market information all over the country, and improved the communication mechanism and platform with third-party promotion partners so as to improve the operation efficiency and continuously drive the Group’s product development. During the Reporting Period, the development of the Group’s marketing network led to significant improvement to its market coverage. In the constantly changing pharmaceutical sector, having a well-developed and robust marketing network is fundamental to the Group’s operation.

### 3. Significant Investment

As at 30 June 2024, the Group did not have any investment in an investee company with a value of 5% or more of the Company's total assets.

#### 3.1 Investment in DMAX Co

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

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

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

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

As of 30 June 2024, 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 RMB33.73 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various targets within the pharmaceutical industry. As at 30 June 2024, the Group held 10% of the equity interest of Shanghai Yuhan. Shanghai Yuhan mainly engages in the investment in unlisted private entities and structured bank deposits. During the six months ended 30 June 2024, the Group recorded an unrealized loss RMB0.63 million of its investment in the fund, and has received entitlement distribution RMB0.06 million therefrom. The Group's investment in Jiaxing Yuhan Fund (limited partnership) (嘉興譽瀚股權投資合夥企業(有限合夥), “Jiaxing Yuhan”) which amounted to RMB7.91 million, has been recognized as equity instrument at FVTOCI. As at 30 June 2024, the Group held 6.62% of the equity interest in Jiaxing Yuhan. Jiaxing Yuhan was incorporated in the PRC and specialized in making equity investment in various targets within the pharmaceutical industry. The Group's strategy of this investment is for long-term holding. The Group has no intention of realizing its interests in the fund or speculating on its market performance in any short run, and intends to lever on its role in the fund for exploring and ascertaining targets of growth potential in the pharmaceutical industry for business partnering and investment opportunities, and for development goals in the long run.

### 3.3 Investment in Rongchang Production Base

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 as 2019-RC-1-03 transferred from Rongchang District Government of Chongqing Municipality (“**Rongchang District Government**”). The land covers a total area of 38,972m<sup>2</sup> and has a transfer price of RMB5,998,800. In March 2019, Chongqing Qianfeng entered into a state-owned construction land use right transfer contract with the local government and obtained the state-owned construction land use right of the land.

In June 2019, the foundation-stone laying ceremony of the Rongchang Production Base was held by Chongqing Qianfeng, and according to the investment agreement between the Group and Rongchang District Government, the planned building area of this project shall be over 40,000m<sup>2</sup>.

This project is a significant strategic plan of the Group, which will direct the Group’s transformation from a sales-oriented company to a comprehensive pharmaceutical company integrating research and development, production and sales. Through such series of measures, the Group hopes to respond to the national policy of industry development by turning Rongchang Production Base into an open technology platform, introducing new technologies and new products, and realizing the localization of high-quality imported products, and give full play to the comprehensive advantage of manufacturing and sales integration of the Group, resulting in constant improvement of the market competitiveness of the products and revenue of the Group.

### 3.4 Investment in Hunan Tiantong

Hunan Tiantong Environmental Protection Co., Ltd. (“**Hunan Tiantong**”) is positioned to focus on the surface cleaning market of rare metals and stainless steel, 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 having occurred in different areas such as traditional research and development, review and approval, as well as pricing systems, the pharmaceutical market is facing a significant structural adjustment. In general, the PRC pharmaceutical industry is trending towards diversification in the long run. There will be increasing development opportunities for products satisfying therapeutic needs and with clear clinical value. The Group will continuously focus on introducing and developing new products, enhancing marketing and promotion capabilities, expanding market coverage through win-win cooperation, enriching the industrial chain through mergers and acquisitions (if any), responding proactively amidst the environment full of challenges and changes, and forging vigorously ahead, so as to achieve the new blueprint of the Group’s future development.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue in the Reporting Period was RMB818.0 million, representing a 11% increase from RMB736.9 million for the six months ended 30 June 2023. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB248.5 million, representing a 21.3% increase from RMB204.9 million for the six months ended 30 June 2023, primarily due to the continuous increase in the promotion of the Company's main products during the reporting period which boosted the sales volume, while a certain decrease in sales of its main products during the same period of last year after the COVID-19 epidemic. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB427.7 million, representing a 7.5% increase from RMB397.8 million for the six months ended 30 June 2023. Revenue generated from products sold via the provision of channel management services in the Reporting Period was RMB141.8 million, representing a 5.7% increase from RMB134.2 million for the six months ended 30 June 2023.

#### Cost of sales

The Group's cost of sales in the Reporting Period was RMB467.5 million, representing a 11.2% increase from RMB420.5 million for the six months ended 30 June 2023, primarily due to the increased sales during the Reporting Period. Cost of sales for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB66.0 million, representing a 14.4% decrease from RMB77.2 million for the six months ended 30 June 2023. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was RMB268.4 million, representing a 24.0% increase from RMB216.5 million for the six months ended 30 June 2023. Cost of sales in products sold via the provision of channel management services in the Reporting Period was RMB133.0 million, representing a 4.9% increase from RMB126.8 million for the six months ended 30 June 2023.

#### Gross profit and gross profit margin

The Group's gross profit in the Reporting Period was RMB350.5 million, representing a 10.8% increase from RMB316.4 million for the six months ended 30 June 2023. The Group's average gross profit margin in the Reporting Period was 42.8%, representing a decrease from 42.9% for the six months ended 30 June 2023. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 73.4%, representing an increase from 62.3% for the six months ended 30 June 2023. The Group's gross profit margin for medical devices sold via the provision of comprehensive marketing, promotion and channel management services in the Reporting Period was 37.2%, representing a decrease from 45.6% for the six months ended 30 June 2023. The Group's gross profit margin for products sold via the provision of channel management services in the Reporting Period was 6.2%, representing an increase from 5.6% for the six months ended 30 June 2023.

#### Other income

The Group's other income in the Reporting Period was RMB35.7 million, representing a 26.5% decrease from RMB48.5 million for the six months ended 30 June 2023, primarily due to the decrease in government grants during the Reporting Period.

#### Distribution and sale expenses

The Group's distribution and sale expenses in the Reporting Period were RMB183.3 million, representing a 15.6% decrease from RMB217.1 million for the six months ended 30 June 2023. Distribution and sale expenses in the Reporting Period were 22.4% of the revenue, representing a decrease from 29.5% for the six months ended 30 June 2023.

### Administrative expenses

The Group's administrative expenses in the Reporting Period were RMB70.3 million, representing a 30.3% increase from RMB54.0 million for the six months ended 30 June 2023, mainly due to the increase in office expenses and depreciation of assets during the Reporting Period. Administrative expenses in the Reporting Period were 8.6% of the revenue, representing an increase from 7.3% for the six months ended 30 June 2023.

### Finance costs

The Group's finance costs in the Reporting Period were RMB0.8 million, representing a 40.2% decrease from RMB1.3 million for the six months ended 30 June 2023.

### Income tax expense

The Group's income tax expense in the Reporting Period was RMB33.4 million, representing a 84.3% increase from RMB18.2 million for the six months ended 30 June 2023, primarily due to the increase in earnings during the Reporting Period. The Group's effective income tax rate for the six months ended 30 June 2023 and the Reporting Period were 20.1% and 27.6%, respectively. Since the beginning of 2019, the Group has been conducting business primarily through Chongqing Pioneer, and Chongqing Pioneer was subject to enterprise income tax rate of 25%.

### Profit for the period

As a result of the above factors, the Group's profit in the Reporting Period was RMB87.9 million, representing a 21.6% increase from RMB72.3 million for the six months ended 30 June 2023. The Group's net profit margin in the Reporting Period was 10.7%, representing an increase from 9.8% for the six months ended 30 June 2023.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Position

In the past, the Group's working capital and other capital needs were mainly funded by net cash flow from its operations, with supplementary financing from banks. The Group's cash and cash equivalents as at 30 June 2024 were RMB145.1 million, representing an increase from RMB114.4 million as at 31 December 2023.

### Inventories

The Group's inventory balance as at 30 June 2024 was RMB323.4 million, representing a 22.6% decrease from RMB417.9 million as at 31 December 2023, primarily due to the enhanced management of inventory turnover efficiency during the Reporting Period.

### Trade and other receivables

The Group's trade and other receivables as at 30 June 2024 were RMB566.6 million, representing a 5.2% increase from RMB538.6 million as at 31 December 2023. The trade receivables turnover as of 30 June 2024 was 97.5 days, representing a decrease from 100.9 days as at 31 December 2023.

### Trade and other payables

The Group's trade and other payables as at 30 June 2024 were RMB207.5 million, representing a 38.7% decrease from RMB338.2 million as at 31 December 2023. The Group's trade payables turnover as at 30 June 2024 was 90.7 days, representing a decrease from 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.

### Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB69.1 million as at 30 June 2024 as compared to RMB60.0 million as at 31 December 2023. On 30 June 2024, the effective interest rate of the Group's bank borrowings ranged from 3.0% to 5.0%. The bank borrowings were denominated in RMB. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 4.6% as of 30 June 2024, as compared to 3.9% as at 31 December 2023.

### Indebtedness

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Total RMB'000
<b>As at 30 June 2024</b>			
Bank borrowings	69,140	–	69,140
Trade payables	163,936	14,681	178,617
Amount due to related parties	13,377	–	13,377
Lease liabilities	1,308	13,181	14,489
<b>As at 31 December 2023</b>			
Bank borrowings	59,971	–	59,971
Trade payables	253,272	31,674	284,946
Amount due to a related parties	5,643	–	5,643
Lease liabilities	1,301	12,748	14,049

### Contingent Liabilities

The Group had no material contingent liabilities as of 30 June 2024.

### Market Risks

The Group is exposed to various types of market risks, including interest rate fluctuation risk, foreign exchange risk and credit risk in the normal course of business. The sales of the Group are denominated in RMB and the purchases, expenses and foreign investments of the Group are denominated in RMB, HKD, AUD, Euros and USD. At present, the Group has no foreign exchange hedging policy. Notwithstanding the above, the management continuously monitors the Group's foreign exchange risk and will consider hedging significant foreign exchange exposure should the need arises.

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2024, the Group had a total of 319 employees. For the Reporting Period, staff costs of the Group were RMB35.0 million as compared to RMB40.6 million for the six months ended 30 June 2023.

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

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

In addition, the Group adopted a share award scheme to recognize the contribution by certain employees including the Directors and senior management, 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.



# Other Information

## DIVIDEND

The board of directors (the “**Directors**”) of the Company (the “**Board**”) has resolved to declared an interim dividend of HK\$0.048 per ordinary share of the Company, amounting to HK\$60,357,000 in total to shareholders of the Company for the six months ended 30 June 2024. The expected payment date of the interim dividend is 15 November 2024.

## CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 1 November 2024, in order to determine the entitlement of shareholders to the interim dividend. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Thursday, 31 October 2024.

## CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Company has complied with the code provisions as set out in the CG Code for the six months ended 30 June 2024. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE “MODEL CODE”)

The Company has adopted the Model Code contained in Appendix C3 to the Listing Rules. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

## AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”), which comprises two independent non-executive Directors, namely Mr. Zhang Changhai (Chairman) and Mr. Zhang Hong, and one non-executive Director, namely Ms. Hu Mingfei.

The principal duties of the Audit Committee include the review and supervision of the Group’s financial reporting, risk management and internal control systems, preparation of financial statements and internal control procedures. It also acts as an important bridge between the Board and the external auditor in matters within the scope of Group’s audit.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with senior management relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the Reporting Period. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company. The interim results for the Reporting Period are unaudited but certain agreed-upon procedures have been performed by the auditor of the Company in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The findings on the aforementioned “agreed-upon procedures” have been taken into consideration by the Audit Committee in its review of the interim results of the Company for the Reporting Period, which have been approved by the Board on 28 August 2024 prior to its issuance.

## SHARE AWARD SCHEME

The share award scheme was adopted by the Board on 10 April 2015 (the “**Share Award Scheme**”). As of the date of this interim report, the remaining valid period of the Share Award Scheme is 196 days. For details of the Share Award Scheme, please refer to the announcement of the Company dated 10 April 2015. As at 20 September 2024, the latest practicable date for this interim report, 93,164,000 shares (approximately 7.41% of the shares in issue of the Company) in the Share Award Scheme were available for granting as awarded shares. No payment is required for the acceptance of the award under the Share Award Scheme.

As of the end of the Reporting Period, the Board only granted a total of 25,060,000 awarded shares to 150 selected employees (none of whom was a current Director or one of the five highest paid individuals of the Company) on 9 October 2015 and these awarded shares have not been vested. For details of the grant of such awarded shares, please refer to the announcement of the Company dated 9 October 2015. During the Reporting Period, no awards under the Share Award Scheme were granted, vested, cancelled or lapsed.

The movement of awarded shares under the Share Award Scheme during the Reporting Period is set out below:

Grantees of awarded shares	Grant date	Vesting period	Purchase price (HK\$/Share)	Awarded shares not vested as at 1 January 2024	Awarded shares granted during the Reporting Period	Awarded shares vested during the Reporting Period	Awarded shares cancelled during the Reporting Period	Awarded shares lapsed during the Reporting Period	Awarded shares not vested as at 30 June 2024	Closing price of awarded shares	Weighted average closing price of awarded shares
										immediately before the grant date during the Reporting Period	immediately before the vesting date during the Reporting Period
Employees (in aggregate)	9 October 2015	Vesting over three years upon acceptance of grant of awarded shares	5.076 <sup>(1)</sup>	25,060,000	-	-	-	-	25,060,000	-	-
Total				25,060,000	-	-	-	-	25,060,000		

Note:

- (1) Being the average consideration per share for the total number of shares purchased from the market by the trustee under the Share Award Scheme during the period from 22 April 2015 to 28 August 2015.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any) during the six months ended 30 June 2024.

## CHANGES IN RESPECT OF DIRECTORS' INFORMATION

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

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

As at 30 June 2024, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to section 352 of the SFO to be entered into the register maintained by the Company, or (iii) be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interests in the Shares of the Company

Name of Directors	Nature of Interest	Number of Shares	Approximate percentage of shareholding
Li Xinzhou	Interest of spouse <sup>(1)</sup>	834,795,000 (L)	66.39%
	Beneficial owner	9,714,000 (L)	0.77%

Remark:

The letter “L” denotes the long position in shares.

Note:

- (1) Ms. Wu Qian holds 99% shares in Tian Tian Limited and Tian Tian Limited holds 100% shares in Pioneer Pharma (BVI) Co. Ltd., therefore Ms. Wu Qian is deemed to be interested in 833,392,000 shares of the Company held by Pioneer Pharma (BVI) Co., Ltd., and Ms. Wu Qian holds 1,403,000 shares of the Company. As Ms. Wu Qian is the spouse of Mr. Li Xinzhou, Mr. Li Xinzhou is deemed to be interested in such 834,795,000 shares of the Company.

### Interests in the Associated Corporations of the Company

Name of Directors	Name of Associated Corporations	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Li Xinzhou	Tian Tian Limited <sup>(1)</sup>	Beneficial owner	1 (L)	1%
		Interest of spouse	99 (L)	99%

Remark:

The letter “L” denotes the long position in shares.

Note:

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

Save as disclosed above, as at 30 June 2024, none of the Directors and the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange, or (ii) recorded in the register to be kept by the Company under section 352 of the SFO, or (iii) pursuant to the Model Code, notified to the Company and the Stock Exchange.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouses or children under the age of 18, to acquire such rights in any other body corporate.

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

As at 30 June 2024, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Wu Qian	Interest of controlled corporation <sup>(1)</sup>	833,392,000 (L)	66.28%
	Interest of spouse <sup>(2)</sup>	9,714,000 (L)	0.77%
	Beneficial owner	1,403,000 (L)	0.11%
Tian Tian Limited <sup>(4)</sup>	Interest of controlled corporation <sup>(3)</sup>	833,392,000 (L)	66.28%
Pioneer Pharma (BVI) Co., Ltd. <sup>(4)</sup>	Beneficial owner	833,392,000 (L)	66.28%
Bank of Communications Trustee Limited	Trustee	90,347,000 (L)	7.18%

*Remark:*

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

## Other Information

*Notes:*

- (1) Ms. Wu Qian holds 99% equity interest in Tian Tian Limited, which in turn holds 100% equity interest in Pioneer Pharma (BVI) Co., Ltd. Accordingly, Ms. Wu Qian is deemed to be interested in 833,392,000 shares of the Company held by Pioneer Pharma (BVI) Co., Ltd..
- (2) 9,714,000 shares of the Company are held by Mr. Li Xinzhou, the spouse of Ms. Wu Qian. Accordingly, Ms. Wu Qian is deemed to be interested in such 9,714,000 shares of the Company.
- (3) Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is deemed to be interested in 833,392,000 shares of the Company held by Pioneer Pharma (BVI) Co., Ltd.
- (4) Mr. Li Xinzhou is a director of each of Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited.

Save as disclosed above, as at 30 June 2024, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	817,973	736,911
Cost of sales		(467,480)	(420,484)
Gross profit		350,493	316,427
Other income	4	35,683	48,528
Other gains and losses	5	(3,255)	(1,333)
Impairment losses under expected credit loss model, net of reversal	6	(4,486)	(762)
Distribution and selling expenses		(183,330)	(217,147)
Administrative expenses		(70,312)	(53,959)
Research and development expenses		(2,459)	–
Finance costs		(767)	(1,282)
Share of losses of associates		(244)	(60)
Profit before tax		121,323	90,412
Income tax expense	7	(33,447)	(18,152)
Profit for the period	6	87,876	72,260
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
– Fair value gain/(losses) on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of income tax		57,389	(33,764)
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of foreign operations		2,085	3
– Share of exchange difference of associates		(712)	(83)
Other comprehensive income (expense) for the period		58,762	(33,844)
Total comprehensive income for the period		146,638	38,416
Profit for the period attributable to:			
Owners of the Company		94,955	77,001
Non-controlling interests		(7,079)	(4,741)
		87,876	72,260

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		153,717	43,157
Non-controlling interests		(7,079)	(4,741)
		<b>146,638</b>	<b>38,416</b>
Earnings per share			
– Basic (RMB yuan)	8	0.08	0.07
– Diluted (RMB yuan)		0.08	0.07

# Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	<i>Notes</i>	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	192,754	214,582
Right-of-use assets		31,904	32,858
Intangible assets		31,428	30,191
Interests in associates		7,416	7,917
Equity instruments at FVTOCI	11	149,003	109,221
Deposits paid for acquisition of intangible assets		46,275	20,726
Goodwill		6,213	6,213
Deferred tax assets	12	7,955	2,268
		<b>472,948</b>	423,976
<b>Current assets</b>			
Inventories		323,361	417,934
Trade and other receivables	13	566,594	538,575
Financial assets at fair value through profit or loss ("FVTPL")	14	–	10,000
Taxation recoverable		1,553	3,953
Pledged bank deposits		4,042	22,040
Cash and cash equivalents		145,116	114,427
		<b>1,040,666</b>	1,106,929
<b>Current liabilities</b>			
Trade and other payables	15	207,494	338,230
Amounts due to related parties	18	13,377	5,643
Tax liabilities		27,073	17,265
Bank borrowings	16	69,140	59,971
Lease liabilities		1,308	1,301
Contract liabilities		4,198	20,280
		<b>322,590</b>	442,690
<b>Net current assets</b>		<b>718,076</b>	664,239
<b>Total assets less current liabilities</b>		<b>1,191,024</b>	1,088,215



## Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	<i>Notes</i>	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	12,111	16,280
Lease liabilities		13,181	12,748
Deferred income		40,330	41,420
		<b>65,622</b>	70,448
<b>Net assets</b>			
		<b>1,125,402</b>	1,017,767
<b>Capital and reserves</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	17	77,399	77,399
Reserves		1,043,758	929,044
Equity attributable to owners of the Company		<b>1,121,157</b>	1,006,443
Non-controlling interests		4,245	11,324
<b>Total equity</b>			
		<b>1,125,402</b>	1,017,767

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital	Share premium	Other reserve	Translation reserve	Statutory reserve	Treasury share reserve	Investments revaluation reserve	Accumulated profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 January 2023 (audited)	77,399	621,726	(57,119)	(14,276)	22,536	(202,099)	(12,672)	572,309	1,007,804	14,685	1,022,489
Profit (loss) for the period	-	-	-	-	-	-	-	77,001	77,001	(4,741)	72,260
Other comprehensive loss	-	-	-	(80)	-	-	(33,764)	-	(33,844)	-	(33,844)
Total comprehensive income (expense) for the period	-	-	-	(80)	-	-	(33,764)	77,001	43,157	(4,741)	38,416
Appropriation to reserve	-	-	-	-	6,187	-	-	(6,187)	-	-	-
Dividends recognised as distribution (Note 9)	-	-	-	-	-	-	-	(51,456)	(51,456)	-	(51,456)
Purchase shares under share award scheme	-	-	-	-	-	(17,393)	-	-	(17,393)	-	(17,393)
Capital injection by a non-controlling shareholder	-	-	-	-	-	-	-	-	-	70	70
At 30 June 2023 (unaudited)	77,399	621,726	(57,119)	(14,356)	28,723	(219,492)	(46,436)	591,667	982,112	10,014	992,126
At 1 January 2024 (audited)	77,399	621,726	(70,409)	(14,307)	28,180	(224,826)	(46,200)	634,880	1,006,443	11,324	1,017,767
Profit for the period	-	-	-	-	-	-	-	94,955	94,955	(7,079)	87,876
Other comprehensive gain	-	-	-	1,373	-	-	57,389	-	58,762	-	58,762
Total comprehensive income (expense) for the period	-	-	-	1,373	-	-	57,389	94,955	153,717	(7,079)	146,638
Disposal of financial investments measured at fair value through other comprehensive income	-	-	-	-	-	-	2,286	(2,286)	-	-	-
Appropriation to reserve	-	-	-	-	1,071	-	-	(1,071)	-	-	-
Dividends recognised as distribution (Note 9)	-	-	-	-	-	-	-	(26,263)	(26,263)	-	(26,263)
Purchase shares under share award scheme	-	-	-	-	-	(12,740)	-	-	(12,740)	-	(12,740)
At 30 June 2024 (unaudited)	77,399	621,726	(70,409)	(12,934)	29,251	(237,566)	13,475	700,215	1,121,157	4,245	1,125,402

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	92,943	(149,379)
<b>Investing activities</b>		
Interest income on bank deposits	964	643
Recovery of part of cost of an financial assets at FVTPL	600	–
Dividend received from an equity instrument at FVTOCI	–	1,754
Placement of financial assets at FVTPL	–	(42,000)
Withdrawal of financial assets at FVTPL	10,097	106,213
Proceed from disposal of equity instrument at FVTOCI	15,461	–
Investment in an associate	(355)	–
Purchases of property, plant and equipment	(4,080)	(24,909)
Deposit paid for acquisition of intangible assets	(39,118)	–
Purchases of intangible assets	(5,601)	(65)
Net cash outflow on acquisition of subsidiaries	(7,678)	–
Placement of pledged bank deposits	26,737	(27,393)
Withdrawal of pledged bank deposits	(8,739)	19,551
Advance to related parties	–	(2,480)
Repayment from related parties	–	2,240
<i>Net cash (used in)/from investing activities</i>	<b>(11,712)</b>	33,554
<b>Financing activities</b>		
Dividend paid	(26,263)	(51,456)
New bank borrowings raised	63,140	90,023
Repayments of bank borrowings	(53,971)	(28,855)
Repayment to a third party	(20,000)	–
Payment for repurchase of ordinary shares under share award scheme	(12,740)	(17,393)
Repayment of lease liabilities	(14)	(38)
Interest paid	(753)	–
Capital injection by a non-controlling shareholder	–	70
<i>Net cash used in financing activities</i>	<b>(50,601)</b>	(7,649)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>30,630</b>	(123,474)
<b>Cash and cash equivalents at beginning of period</b>	<b>114,427</b>	214,008
<b>Effect of foreign exchange rate changes</b>	<b>59</b>	297
<b>Cash and cash equivalents at end of period</b>	<b>145,116</b>	90,831

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 1. BASIS OF PREPARATION

Shanghai Pioneer Holding Ltd (the “**Company**” and previously known as China Pioneer Pharma Holdings Limited) is incorporated as an exempted company with limited liability in the Cayman Islands on 5 February 2013. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 5 November 2013. The registered office of the Company is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands and the principal place of business of the Company is at No. 15, Lane 88 Wuwei Road, Putuo District, Shanghai, the People’s Republic of China (“**PRC**”). The Company’s immediate and ultimate holding company are Pioneer Pharma (BVI) Limited (“**Pioneer BVI**”) and Tian Limited, respectively. Both companies are incorporated in the British Virgin Islands and are controlled by Mr. Li Xinzhou (“**Mr. Li**”) and Ms. Wu Qian, the spouse of Mr. Li.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are the marketing, promotion and sale of pharmaceutical products and medical equipment and supplies and provision of metal finishing services.

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (“**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

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

## 2. MATERIAL ACCOUNTING POLICY INFORMATION

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2023 annual financial statements, except for the following new standards and amendments which apply for the first time in 2024. However, not all are expected to impact the Group as they are either not relevant to the Group’s activities or require accounting which is consistent with the Group’s current accounting policies.

The following new standards and amendments are effective for the period beginning 1 January 2024:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

For the six months ended 30 June 2024

### 3. SEGMENT INFORMATION

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

Information reported to the executive Directors, being the chief operating decision maker (the “**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. Segment profit represents the gross profit earned by each segment.

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

- (a) Ophthalmic pharmaceutical products – sales of the Group’s ophthalmic pharmaceutical products to the customers under the channel management arrangement (“**Products sold via the provision of channel management services**”). Products sold via the provision of channel management services related solely to sale arrangements with Alcon.
- (b) Sales of all of the Group’s pharmaceutical products and medical equipment and supplies except for ophthalmic pharmaceutical products to the customers under the comprehensive marketing, promotion and channel management arrangement (“**Products sold via the provision of comprehensive marketing, promotion and channel management services**”).

For the six months ended 30 June 2024

### 3. SEGMENT INFORMATION (Continued)

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

#### For the six months ended 30 June 2024 (unaudited)

	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Products sold via the provision of channel management services RMB'000	Consolidated RMB'000
<b>Segment revenue</b>	<b>676,145</b>	<b>141,828</b>	<b>817,973</b>
Segment results	<b>341,679</b>	<b>8,814</b>	<b>350,493</b>
Other income			35,683
Other gains and losses			(3,255)
Impairment losses under expected credit loss model, net of reversal			(4,486)
Distribution and selling expenses			(183,330)
Administrative expenses			(70,312)
Research and development expenses			(2,459)
Finance costs			(767)
Share of losses of associates			(244)
Profit before tax			<b>121,323</b>

For the six months ended 30 June 2024

**3. SEGMENT INFORMATION (Continued)**  
**Segment revenues and results (Continued)**  
**For the six months ended 30 June 2023 (unaudited)**

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

For the six months ended 30 June 2024

**3. SEGMENT INFORMATION (Continued)****Disaggregation of revenue from contracts with customers**

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Types of sales</b>		
Sales of pharmaceutical products	390,298	339,096
Sales of medical equipment and supplies	427,675	397,815
	<b>817,973</b>	736,911
<b>Types of major products</b>		
Products sold via the provision of channel management services:		
Alcon	141,828	134,240
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Pharmaceutical products	248,470	204,856
Medical equipment and supplies	427,675	397,815
	<b>676,145</b>	602,671
	<b>817,973</b>	736,911

**Geographical information**

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



## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 4. OTHER INCOME

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants ( <i>Note</i> )	34,427	41,166
Dividend received from equity instruments at FVTOCI	–	2,184
Interest income on bank deposits	964	643
Others	292	4,535
	<b>35,683</b>	<b>48,528</b>

*Note:* Government grants amounting to RMB1,090,000 (2023: RMB1,090,000) represented the amount of deferred income released to profit or loss for the six months ended 30 June 2024. The remaining amounts represented cash received from unconditional grants from the local government to encourage the business operations in the PRC which are recognised in profit or loss when received.

### 5. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net foreign exchange losses	(2,743)	(2,320)
Loss on disposal of property, plant and equipment	(609)	(226)
Gain on fair value change of financial assets at FVTPL	97	1,213
	<b>(3,255)</b>	<b>(1,333)</b>

For the six months ended 30 June 2024

**6. PROFIT BEFORE TAXATION**

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	2,649	1,526
Other staff's retirement benefits scheme contributions	5,607	6,323
Other staff costs	26,723	32,758
<b>Total staff costs</b>	<b>34,979</b>	40,607
Write-down of inventories	19,409	2,313
Depreciation of right-of-use assets	1,034	668
Depreciation of property, plant and equipment	10,225	4,695
Amortisation of intangible assets	3,488	3,415
Impairment losses under expected credit loss model, net of reversal ( <i>Note</i> )	4,486	762

*Note:* The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 7. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax (“EIT”)	40,782	12,759
– Under (over) provision in prior periods	2,657	(1,110)
	43,439	14,649
Deferred tax (Note 12)	(9,992)	6,503
	33,447	18,152

### 8. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share	94,955	77,001
<b>Numbers of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,171,294,390	1,180,923,265

For the six months ended 30 June 2024 and 2023, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been taken into account the ordinary shares purchased by Bank of Communications Trustee Limited from the market pursuant to the share award scheme and the ordinary shares repurchased by the Company.

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

For the six months ended 30 June 2024

### 9. DIVIDENDS

During the current interim period, a final dividend of HKD0.024 (equivalent to RMB0.022) per share in respect of the year ended 31 December 2023 (2023: a final dividend of HKD0.048 (equivalent to RMB0.041) per share in respect of the year ended 31 December 2022) were declared to shareholders of the Company. The aggregate amount of the dividends declared and paid in the interim period amounted to RMB26,263,000 (2023: RMB51,456,000).

Subsequent to the end of the current interim period, the Directors of the Company have determined that an interim dividend of HKD0.048 (equivalent to approximately RMB0.044) per share amounting to HKD60,357,000 (equivalent to approximately RMB55,150,000) (2023: HKD30,179,000 equivalent to RMB27,636,000) in aggregate will be paid to shareholders of the Company.

### 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately RMB4,080,000 (2023: RMB24,909,000) for acquisition of furniture and equipment and construction for factory building.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 11. EQUITY INSTRUMENTS AT FVTOCI

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Listed investment:		
– Equity securities listed in Australia ( <i>Note a</i> )	107,283	67,307
– Equity securities listed in America ( <i>Note b</i> )	74	214
Unlisted investments:		
– Equity securities A ( <i>Note c</i> )	33,732	33,700
– Equity securities B ( <i>Note d</i> )	7,914	8,000
	<b>149,003</b>	<b>109,221</b>

Notes:

- (a) The amount represents equity investment in 3.18% (31 December 2023: 9.24%) ordinary shares of an entity listed in Australian Securities Exchange, Paragon Care Limited (“**Paragon**”). This investment was not held for trading, instead, it was held for long-term strategic purpose.
- (b) The amount represents equity investment in 0.31% (31 December 2023: 1.39%) ordinary shares of an entity listed in New York Stock Exchange, NovaBay Pharmaceuticals, Inc. (“**NovaBay**”). This investment was not held for trading, instead, it was held for long-term strategic purpose.
- (c) The balances as of 30 June 2024 and 31 December 2023 represent an investment in Shanghai Yuhan fund (上海譽瀚股權投資基金合夥企業(有限合夥), the “**Shanghai Fund**”), which is incorporated in the PRC. The Shanghai Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 30 June 2024, the Shanghai Fund received contributions from shareholders of RMB149 million (2023: RMB155 million), among which the Group injected RMB14.9 million (31 December 2023: RMB15.5 million) which accounted for 10% (31 December 2023: 10%) of the equity interest of the Shanghai Fund. The Shanghai Fund represents an investment in unlisted private entities and structured deposits.
- (d) The balances as of 30 June 2024 and 31 December 2023 represent an investment in Jiaxing Yuhan fund (嘉興譽瀚股權投資合夥企業(有限合夥), the “**Jiaxing Fund**”), which is incorporated in the PRC. The Fund specialises in making equity investments in various targets within the pharmaceutical industry. As at 30 June 2024 and 31 December 2023, the Jiaxing Fund received contributions from shareholders of RMB151 million, among which the Group injected RMB10 million (31 December 2023: RMB10 million) which accounted for 6.62% (31 December 2023: 6.62%) of the equity interest of the Jiaxing Fund. The Jiaxing Fund represents an investment in unlisted private entities and structured deposits.

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

For the six months ended 30 June 2024

**12. DEFERRED TAXATION**

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Deferred tax assets	<b>7,955</b>	2,268
Deferred tax liabilities	<b>(12,111)</b>	(16,280)
	<b>(4,156)</b>	(14,012)

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

	<b>ECL and inventories provision RMB'000</b>	<b>Unrealised profit on inventories RMB'000</b>	<b>Accrued marketing service fee RMB'000</b>	<b>Undistributed profit of subsidiaries RMB'000</b>	<b>Deferred Income RMB'000</b>	<b>Equity instruments at FVTOCI RMB'000</b>	<b>Total RMB'000</b>
At 1 January 2023 (Audited)	798	148	7,652	(8,000)	(10,900)	(5,825)	(16,127)
(Charge) credit to profit or loss	837	(115)	(7,497)	3,000	272	-	(3,503)
Credit to other comprehensive income for the period	-	-	-	-	-	3,400	3,400
At 30 June 2023 (Unaudited)	1,635	33	155	(5,000)	(10,628)	(2,425)	(16,230)
Credit (charge) to profit or loss	(606)	678	373	2,000	273	-	2,218
Charge to other comprehensive income for the year	-	-	-	-	-	(500)	(500)
At 31 December 2023 (Audited)	1,029	711	528	(3,000)	(10,355)	(2,925)	(14,012)
Credit (charge) to profit or loss	5,008	(388)	1,067	-	4,306	-	9,993
Charge to other comprehensive income for the period	-	-	-	-	-	(137)	(137)
At 30 June 2024 (Unaudited)	<b>6,037</b>	<b>323</b>	<b>1,595</b>	<b>(3,000)</b>	<b>(6,049)</b>	<b>(3,062)</b>	<b>(4,156)</b>

For the six months ended 30 June 2024

**12. DEFERRED TAXATION (Continued)**

As at the end of the current interim period, the Group has unused tax losses of approximately RMB53,564,000 (31 December 2023: RMB46,798,000) available for offsetting against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
2024	–	2,726
2025	<b>2,240</b>	2,240
2026	<b>6,085</b>	6,085
2027	<b>14,384</b>	14,384
2028	<b>14,788</b>	14,788
2029	<b>27,135</b>	–
	<b>64,633</b>	40,223

As at the end of the current interim period, the aggregate amount of temporary differences associated with undistributable earnings of the PRC subsidiaries amounted to RMB726,563,000 (31 December 2023: RMB605,552,000). Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of the accumulated profits of the PRC subsidiaries amounting to RMB626,563,000 (31 December 2023: RMB545,552,000) as the Group has set aside such fund for the business development in the PRC and is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For the six months ended 30 June 2024

**13. TRADE AND OTHER RECEIVABLES**

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade receivables (i)	420,725	450,702
Less: Allowance for credit losses	(2,950)	(2,284)
	<b>417,775</b>	448,418
Other receivables, prepayments and deposits	80,592	39,619
Amounts due from associates (ii)	23,624	–
	<b>16,481</b>	10,567
Advance payment to suppliers	28,122	39,971
Other tax recoverable		
<b>Total trade and other receivables</b>	<b>566,594</b>	538,575

*Notes:*

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

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



For the six months ended 30 June 2024

**13. TRADE AND OTHER RECEIVABLES (Continued)**

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
0 to 60 days	223,372	338,391
61 to 180 days	154,673	91,581
181 to 1 year	35,254	15,820
1 year to 2 years	3,661	2,626
Over 2 years	815	–
	<b>417,775</b>	<b>448,418</b>

As at 30 June 2024, total bills received amounting to RMB6,870,000 (31 December 2023: RMB36,757,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than 1 year.

(ii) The amounts due from associates were unsecured, interest free and had no fixed repayment terms.

**14. FINANCIAL ASSETS AT FVTPL**

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Unlisted investment: – Structured bank deposit	–	10,000

During the period ended 30 June 2024, the structured deposit with bank in the PRC was matured. The structured bank deposit earns minimum return of 1.25% to 1.66% per annum (31 December 2023: 1.25% to 1.66% per annum), while the total expected return is up to 2.6% to 3.25% per annum (31 December 2023: 2.6% to 3.25% per annum).

For the six months ended 30 June 2024

**15. TRADE AND OTHER PAYABLES**

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Trade payables	178,617	284,946
Payroll and welfare payables	3,154	4,911
Other tax payables	1,488	512
Marketing service fee payables	6,380	3,451
Deposits received from distributors	6,207	10,895
Other payables to a third party (Note)	–	20,000
Other payables and accrued charges	11,648	13,514
	<b>207,494</b>	<b>338,230</b>

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 aging analysis of trade and bill payables presented based on the invoice date:

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
0 to 90 days	132,701	135,255
91 to 180 days	20,363	117,328
181 to 365 days	10,872	689
Over 365 days	14,681	31,674
	<b>178,617</b>	<b>284,946</b>

For the six months ended 30 June 2024

### 16. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of RMB53,971,000 (30 June 2023: RMB28,855,000) and raised bank borrowings of RMB63,140,000 (30 June 2023: RMB90,023,000). Except for bank borrowings of RMB10,000,000 (31 December 2023: Nil) which are unsecured, bank borrowings of RMB59,140,000 (31 December 2023: RMB59,971,000) are secured by property, plant and equipment. The amounts are due within one year. The effective interest on the Group's fixed-rate borrowings are ranging from 3.00% to 5.00% per annum (31 December 2023: 1.45 to 3.95% per annum).

### 17. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount RMB'000
Authorised:		
Ordinary shares of US\$0.01 each		
At 1 January 2023, 30 June 2023, 31 December 2023 and 30 June 2024	3,000,000,000	184,716
Issued and fully paid:		
At 1 January 2023 (Audited), 30 June 2023 (Unaudited), 31 December 2023 (Audited) and 30 June 2024 (Unaudited)	1,257,447,000	77,399
	<b>As at 30 June 2024 RMB'000</b>	<b>As at 31 December 2023 RMB'000</b>
Shown in the condensed consolidated financial statements	<b>77,399</b>	77,399

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

For the six months ended 30 June 2024

**18. RELATED PARTIES DISCLOSURES****(a) The Group had the following material transactions with its related parties during the reporting period:**

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Purchase of finished goods from DMAX	1,662	1,121

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

	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
	<b>Name of the related parties</b>	
<b>Non-trade in nature</b>		
<i>Amount due from related parties – current</i>		
Dimei – current (Note a)	2,570	–
Yuyue – current (Note a)	21,054	–
<i>Amount due to a related party – current</i>		
Mr. Li – current (Note b)	13,377	5,643
<b>Trade in nature</b>		
<i>Amount due to a related party – current</i>		
DMAX (Note b)	–	99

Notes:

- (a) The balances as at 30 June 2024 are unsecured, interest free and repayable on demand.
- (b) The balances as at 30 June 2024 and 31 December 2023 are unsecured, interest free and repayable on demand.
- (c) Amount represents trade payables for purchase of finished goods during the period with credit term of 60 days and the balance is aged within 180 days.

For the six months ended 30 June 2024

**18. RELATED PARTIES DISCLOSURES (Continued)****(c) Compensation of key management personnel**

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

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	4,914	4,399
Post employee benefits	455	364
	<b>5,369</b>	<b>4,763</b>

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

**(d) Counter Guarantee provided by Mr. Li**

On 28 October 2022, the Company, Hunan Tiantong Environmental Protection Co., Ltd. (the subsidiary, “**Hunan Tiantong**”) and Mr. Li entered into a Guarantee Framework Agreement, pursuant to which the Company agreed to provide the guarantee of an aggregate amount of not more than RMB500 million to Hunan Tiantong and its subsidiaries in respect of their application for loans from the banks (the “**Guarantee**”), whereas Mr. Li will provide the counter guarantee for the Guarantee (the “**Counter Guarantee**”) for the purpose of safeguarding the shareholders’ interests.

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

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

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****Fair value of the Group’s financial assets and liabilities that are measured at fair value on a recurring basis**

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

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

For the six months ended 30 June 2024

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)****Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)**

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key input(s)	Significant unobservable input(s)
	30.06.2024 (Unaudited) RMB'000	31.12.2023 (Audited) RMB'000			
<b>Equity instruments at FVTOCI</b>					
- 3.18% equity investment in Paragon (2023: 9.52%)	107,283	67,307	Level 1	Quoted bid prices in active market	Not applicable
- 0.31% equity investment in NovaBay (2023: 1.39%)	74	214	Level 1		
- 10% equity investment in the Shanghai Fund (2023: 10%)	33,732	33,700	Level 3	Market approach by applying market multiples such as the ratio of market capital to net book value from comparable companies and adjusted by discount on lack of marketability	The ratio of market capital to net book value from comparable companies is determined by the mean of comparable companies as at the valuation date (Note a)
- 6.62% equity investment in the Jiaxing Fund (2023: 6.62%)	7,914	8,000	Level 3		
<b>Financial assets at FVTPL</b>					
- Structured bank deposits	-	10,000	Level 3	Discounted cash flows	Expected yields of money market instruments and debt instruments invested by bank and a discount rate that reflects the credit risk of the bank

Note:

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

There were no transfers between levels in the both periods.

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**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)****Reconciliation of level 3 fair value measurements of financial assets**

Unrealised fair value gains of RMB546,000 (30 June 2023: unrealised fair value losses of RMB13,600,000) included other comprehensive income (expense) related to equity instruments at FVTOCI held at the end of the reporting period and is reported as changes of 'investments revaluation reserve'.

	Unlisted equity instruments RMB'000	Financial assets at FVTPL RMB'000
At 1 January 2023 (audited)	53,300	105,000
Total losses recognised in profit or loss	–	1,213
Total losses recognised in other comprehensive expense	(13,600)	–
Placement of financial assets at FVTPL	–	42,000
Withdrawal of financial assets at FVTPL	–	(106,213)
At 30 June 2023 (unaudited)	39,700	42,000
At 1 January 2024 (audited)	<b>41,700</b>	<b>10,000</b>
Total gains recognised in profit or loss	–	97
Total gains recognised in other comprehensive income	546	–
Recovery of part of cost	(600)	–
Withdrawal of financial assets at FVTPL	–	(10,097)
At 30 June 2024 (unaudited)	<b>41,646</b>	–

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