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
ANNUAL REPORT

先機為重

Pioneering Success

鋒行天下

CONTENTS

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

AUTHORISED 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 HEADQUARTERS

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 decreased by 2.3% to RMB1,531.1 million in 2024 from RMB1,566.7 million in 2023.
- Gross profit of the Group increased by 2.2% to RMB683.2 million in 2024 from RMB668.2 million in 2023.
- Net profit of the Group increased by 19.4% to RMB145.4 million in 2024 from RMB121.8 million in 2023.
- Basic earnings per share of the Company was RMB0.13 in 2024, which represents an 8.3% increase compared to RMB0.12 in 2023.

	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000 (Restated)	**2024** **RMB'000**
Operating results					
Revenue	1,332,037	1,434,820	1,556,040	1,566,673	**1,531,050**
Gross profit	607,966	772,029	780,466	668,239	**683,206**
Profit before income tax	95,342	201,447	294,497	170,348	**213,122**
Profit for the year	51,490	140,818	229,950	121,797	**145,408**
Profit for the year, all attributable to the owners of the Company	52,448	142,633	235,296	138,518	**151,618**
Profitability					
Gross margin (%)	45.6%	53.8%	50.2%	42.7%	**44.7%**
Net profit margin (%)	3.9%	9.8%	14.8%	7.7%	**9.5%**
Total assets	1,428,442	1,328,477	1,571,667	1,530,905	**1,458,079**
Total equity	911,715	910,986	1,022,489	1,017,767	**1,115,562**
Total liabilities	516,727	417,491	549,178	513,138	**342,517**
Gearing ratio (%)	1.1%	1.0%	1.8%	3.9%	**4.3%**
Equity attributable to equity owners of the Company	909,434	907,970	1,007,804	1,006,443	**1,110,448**
Cash and cash equivalents	115,009	224,851	214,008	114,427	**103,573**

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Shanghai Pioneer Holding Ltd (the "**Company**" or "**Shanghai Pioneer Holding**" or "**we**", "**our**" and "**us**"), I would like to express my gratitude to all shareholders of the Company (the "**Shareholders**") for their continued interest in and unwavering support for Shanghai Pioneer Holding. As the Chairman of the Board, I am also pleased to present the annual report of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**") to the Shareholders.

In 2024, China continued its general tone of seeking steady progress in economy, and continued to consolidate its position as the world's second largest economy. Macro-growth interacted positively with residents' incomes and consumption, and the release of consumption potential was synchronised with the improvement of people's livelihoods. In particular, under the superimposed influence of the deepening of national health awareness and demographic changes, the healthcare sector has shown a remarkable feature of structural upgrade in demand. At the policy level, the "Healthy China" strategy and institutional reforms are working in tandem to promote the optimal allocation of healthcare resources and the improvement of the quality and efficiency of the industry chain development. At the same time, as a key area for the cultivation of new quality productive forces, the healthcare industry has accelerated the integration of cutting-edge technologies such as artificial intelligence to boost the development of new business models such as precision medicine and intelligent services, building a high-quality development pattern driven by both technological and modal innovations to provide support for meeting the multilevel and diversified health needs of the entire population.

Under the intertwined role of policy and market, the entire pharmaceutical distribution industry is experiencing profound changes. The normalisation of national centralized volume-based procurement further promotes the transformation of enterprises to refined services, while the deep extension of the medical consortium construction to the county-level has led to the expansion of the primary healthcare market, which opens up new growth points for distribution enterprises. In addition, the speeding up of the internationalisation and the in-depth empowerment of science and technology have also injected fresh vitality into the market. Standing at the intersection of changes and new opportunities, on the one hand, we closely follow the policy changes and attach great importance to compliant operation to ensure that our businesses are lawfully operated with steady growth; on the other hand, we actively grasp various opportunities under the new trend, accelerate the digital transformation, deepen the industry chain synergy, and continue to expand our service boundaries.

Founded in 1996, the Group has almost three decades of operating history, and has been dedicated to providing comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices in China. As a unique and important part in the industry chain of the pharmaceutical industry, we have given full play to our strengths to actively respond to profound changes in the industry in front of us. During the Reporting Period, the Group continued to expand the layout of its sales network, strengthened its supply chain management efficiency and continuously enhanced the value of its channels and professional influence. We will continue to strengthen the cultivation and promotion of our own categories and expand the echelon of high-quality products, so as to achieve a simultaneous improvement in the profit quality and volatility resistance of our overall product portfolio while dynamically optimising the proportion of key categories. With concentration of our resources on businesses with higher profit contribution and stronger self-control capability, the Group will build a more certain and sustainable profitability system. During the Reporting Period, the Group's revenue was RMB1,531.1 million. The Board recommended the payment of a final dividend of HK$0.056 per share for the year ended 31 December 2024.

In the context of the continued deepening of healthcare reform, healthcare insurance payment is accelerating its transformation from "quantity" to "quality", with the use of funds increasingly focused on drugs that strike a balance between clinical benefits, cost control and payment accessibility. This is a trend that is reshaping the competitive landscape of pharmaceuticals, and the Group is also benefiting from it. During the Reporting Period, the Group has seized the policy-driven structural opportunities, and continuously increased the penetration rate and market share of its products by leveraging on the strategies for its products of high-quality and definite clinical effects and precisely deploying an efficient academic promotion system, thereby steadily leading the value breakthrough in the process of structural optimisation. During the Reporting Period, the Group further broadened its product pipeline and expanded its market space, and our initiative promotion products such as Difene and Zanidip achieved rapid development. The Group will continue to optimise the market positioning of its products and reinforce its marketing activities to maximise the profitability of these products.

During the Reporting Period, benefiting from the accelerated trend of industry centralisation and channel flattening, the development of the Company's medical device business has been steadily strengthened, and the benefits of cost control and resource allocation have been continuously released, continuing to present a favourable situation of the parallel development of pharmaceuticals and medical devices. 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 will continue to optimise its product structure and service system by relying on market channel expansion, refined management and quality services, and will continue to enhance the overall revenue level of the business segment to further strengthen its competitive advantages.

As mentioned above, the Company acquired all rights and interests in Mainland China of all the products owned by Q3 Medical Devices Limited ("**Q3 Medical**") in December 2023. During the Reporting Period, Archimedes Biodegradable Biliary and Pancreatic Stent ("**Archimedes Stent**", registered under Class III) of Q3 Medical was approved to enter into the special review procedure for innovative medical devices by the Center for Medical Device Evaluation of the National Medical Products Administration and we are currently pressing ahead with the clinical registration and localisation of series of innovative medical device products of Q3 Medical. The Group believes that the approval to enter into the special review procedure is expected to facilitate the early commercialisation of Archimedes Stent, enhance the competitiveness of our product portfolio and contribute to the stable growth of our business, which will effectively support our strategic transformation.

On 16 December 2024 and 27 December 2024, the Group acquired the global exclusive distribution rights of the Terra Maestro series of products (primarily its plasma electric stove series of products) from Shenzhen Terra Maestro Technology Company Limited ("**Terra Maestro**"), and the exclusive distribution rights in the People's Republic of China (the "**PRC**") of the skincare and healthcare series of products of NIANCE ("**NIANCE**"), a Swiss cosmetics brand, respectively. The Terra Maestro series of products is based on the "Pure Electricity to Open Flame" technology, and the first product, the electric plasma single burner stove, has been mass-produced in the first quarter of 2025. NIANCE was founded by Dr. Rainer W. Schmidt, and mainly comprises skincare and healthcare products.

The Group has established a professional business division comprised of industry experts for the aforementioned new products, and will strategically position itself in the market, meticulously formulate, and implement a series of promotional strategies to expand the market distribution of the products. We believe that along with the advancement of global carbon neutrality, the demand for green and low-carbon technology products is increasing, while the emerging of anti-aging skincare and self-pleasing concepts has provided continuous growth in the market space for related products. As the above assets form a natural synergy with our original distribution system, the Company is confident to realise the transformation and upgrading from a pure "pharmaceutical distribution" enterprise to a comprehensive enterprise integrating research and development, manufacturing and sales by leveraging on our profound industry resources and operational experience to seize the structural growth opportunities, and thereby creating long-term and stable value returns for the Group and our Shareholders.

China's pharmaceutical industry is undergoing a profound transformation featuring tighter regulation and upgraded demand structure, which will inevitably give rise to a stronger trend of internal differentiation and a more intense competitive landscape. Going forward, the Group will always maintain a keen sense of policy and market insight, accelerate product introduction and portfolio upgrading, simultaneously strengthen the marketing system and promote strategic resource integration as and when appropriate, so as to comprehensively enhance operational efficiency and competitive advantages, deeply advance transformation and upgrading, and actively grasp the structural opportunities amidst the industrial reshaping to accelerate the realisation of the strategic blueprint.

Li Xinzhou
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS


磷酸钠盐灌肠液
低分子肝素钠注射液
0.3 ml: 3200 I.U. aXa
2支/盒
希弗全 FLUXUM
0.3 ml
匹多莫德口服液
普利莫
POLIMOD
ORAL SOLUTION
规格：每7毫升含匹多莫德 400mg
生产企业：普利化学工业公司 意大利多帕药业有限公司
进口注册证号：H20090934
TRAVATAN
(travoprost 0.004%)
苏为坦
曲伏前列素滴眼液
Alcon
2.5mL
Sterile
NovaBay
纽储非
伤口清洁液体敷料
40 mL
Made in the USA

OPERATIONAL REVIEW

In 2024, steady progress has been seen in China's economy, with annual gross domestic product (GDP) reaching RMB134,908.4 billion, exceeding RMB130 trillion for the first time, representing a 5.0% year-on-year increase, and the total size of the economy ranked second in the world. Per capita disposable income and per capita consumption expenditures rose steadily throughout the year, both increasing by 5.1% in real terms, which were in line with economic growth and effectively released consumption potential. As for healthcare sector, per capita consumption expenditures for the year amounted to RMB2,547, representing a 3.6% year-on-year increase. Although the growth rate was relatively moderate, it still accounted for 9% of total per capita consumption expenditures, indicating a new growth pole driven by people's demand for healthcare is forming.

Driven by the awakening of national health awareness and the accelerated aging of the population, China's healthcare demand is undergoing a structural leap. At the policy level, the State has introduced a number of policies and measures, while the strategies of "Healthy China" and "Sports Superpower" are accelerating its implementation. The reform of the "Three-Medicine Linkage (三醫聯動)" is deepened on a comprehensive base and a stricter regulatory system for the whole life cycle of drugs from development, production and distribution to end services is established, which has promoted the rational allocation and fair distribution of medical resources. At the same time, as a key area for the cultivation of new quality productive forces, the pharmaceutical and healthcare industry has accelerated the integration of cutting-edge technologies such as artificial intelligence, promoting the iterative upgrading of the industrial chain towards the direction of precision and intelligence, and injecting new kinetic energy into the industry's high-quality development. From a comprehensive perspective, under the synergistic effect of multiple factors, China's healthcare demand will continue to grow with new business formats and modes keeping emerging, prompting all parts in the industry chain to strengthen resource integration and technological innovation to better meet the increasingly diversified healthcare needs of residents.

Specifically, in the area of pharmaceutical distribution, the continuous deepening of the policy of centralised volume-based procurement of drugs, especially the advancement of the 10th national drug centralised volume-based procurement, further compressed the profit space of drug circulation, reshaped the procurement and circulation pattern of the market, prompted the pharmaceutical distribution enterprises to improve the operational efficiency, and drove the industry to transform from rough distribution to refined services. Meanwhile, the State has gradually enhanced the support for primary healthcare institutions by promoting the deep extension of medical consortium construction to the county-level. The continuously expanded primary healthcare market has boosted new growth opportunities for the pharmaceutical distribution enterprises. As policies and regulations become increasingly stringent, distribution enterprises need to adapt to regulatory changes more efficiently and strengthen compliance management to ensure the transparency and standardisation of the supply chain and reduce the market risks caused by uncertainty.

In addition, continued evolution in regulatory policies is speeding up the internationalisation of China's pharmaceutical distribution industry and driving a reshaping of the market structure. The market access threshold for imported pharmaceutical products has been further lowered, leading to a significantly quicker circulation of innovative and high-end medicines, complementing local products and unleashing multi-level healthcare demands. At the same time, the pharmaceutical regulatory system is constantly in line with international standards, making market access more standardised and transparent, which is not only conducive to shortening the launch cycle of imported new drugs in China and enhancing market accessibility, but also beneficial to enhancing the participation of local enterprises in the global supply chain. Driven by favorable policies, the pharmaceutical distribution industry is moving towards a more open and efficient stage of development.

For the Group, the dual driving force of the high-quality development of the pharmaceutical and healthcare industry and the policy for pharmaceutical innovation is presenting strategic development opportunities. The Group has taken full advantage of its global partner network and continued to introduce internationally advanced pharmaceutical products and medical devices to provide domestic patients with better healthcare solutions. In the synergistic evolution of policies and market, the Group has increased its investment in sales network and supply chain management to propel more quality products to reach the market efficiently. By continuously optimising the marketing strategies, improving the sales network layout and enhancing the brand influence, the Group has achieved business expansion while consolidating its market share, contributing to the high-quality and sustainable development of the healthcare industry.

As stated in the Company's voluntary announcements dated 16 December 2024 and 27 December 2024, during the Reporting Period, the Group acquired the global exclusive distribution rights of the Terra Maestro series of products (primarily its plasma electric stove series of products) from Shenzhen Terra Maestro Technology Company Limited ("**Terra Maestro**"), and the exclusive distribution rights in the People's Republic of China (the "**PRC**") of the skincare and healthcare series of products of NIANCE ("**NIANCE**"), a Swiss cosmetics brand, respectively. The Group has established a professional business division comprised of industry experts for the aforementioned new products. The Group will strategically position itself in the market, meticulously formulate, and implement a series of promotional strategies to expand the market distribution of the products. The aforementioned products are expected to generate substantial revenue and returns for the Group and its shareholders in the future.

The Terra Maestro series of products is based on the "Pure Electricity to Open Flame" technology, and the first product, the electric plasma single burner stove, has been mass-produced in the first quarter of 2025. Terra Maestro currently owns a number of technology patents in China/globally, and plans to continuously strengthen its patent matrix layout worldwide in 2025. Against the backdrop of a growing demand for energy-saving, emission reduction and eco-friendly products in the global market, the Group believes that this cooperation will bring consumers healthier, more eco-friendly and efficient cooking solutions, while motivating the entire industry to develop in a more sustainable and intelligent direction.

NIANCE was founded by Dr. Rainer W. Schmidt, and mainly comprises skincare and healthcare products. The Group believes that with the penetration of skincare and anti-aging concepts and the strengthening of self-pleasing concept, as well as the diversification and specialisation of consumers' demands for product performance, the skincare market in the PRC will enter a stage of quality-focused and high-quality development. The Group hopes to leverage on the outstanding efficacy and advanced technology of the NIANCE series products to provide a better experience for consumers in the PRC.

For the Reporting Period, the Group's revenue decreased by 2.3% to RMB1,531.1 million (2023: RMB1,566.7 million), gross profit increased by 2.2% to RMB683.2 million (2023: RMB668.2 million) and net profit for the year increased by 19.4% to RMB145.4 million (2023: RMB121.8 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 decreased by 3.5% compared to last year to RMB290.6 million, representing 19.0% of the Group's revenue for the Reporting Period. Gross profit decreased by 15.9% compared to last year to RMB18.1 million, representing 2.7% of the Group's gross profit for the Reporting Period.

1. Product Development

As of 31 December 2024, 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, cardiology and wound care products.

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

Category	**2024 RMB'000**	**Percentage of the Group's total revenue/ gross profit (%)**	2023 RMB'000	Percentage of the Group's total revenue/ gross profit (%)
Revenue:				
Pharmaceutical Products	**444,993**	**29.1**	436,268	27.8
Medical equipment and supplies	**795,425**	**52.0**	829,147	52.9
Gross Profit:				
Pharmaceutical Products	**297,486**	**43.5**	287,702	43.1
Medical equipment and supplies	**367,603**	**53.8**	358,993	53.7

During the Reporting Period, revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 2.0% compared to last year to RMB445.0 million, representing 29.1% of the Group's revenue for the Reporting Period. Gross profit increased by 3.4% compared to last year to RMB297.5 million, representing 43.5% 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 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 highspeed 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.

For the Reporting Period, the Group's revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 4.1% compared to last year to RMB795.4 million, representing 52.0% of the Group's revenue for the Reporting Period. Gross profit increased by 2.4% compared to last year to RMB367.6 million, representing 53.8% of the Group's gross profit for the Reporting Period. 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.

During the Reporting Period, the Group also broadened its product pipeline. In terms of pharmaceutical products, the Group has obtained the exclusive long-term distribution right in Mainland China market for Asacol® mesalazine enteric-coated tablets (800mg per tablet), a first-line drug for the treatment of mild-to-moderate ulcerative colitis (UC), from Tillotts Pharma AG under Zeria Group in Japan. Against the backdrop of the increasing incidence of inflammatory bowel disease (IBD) patients in Mainland China, which is one of the countries with the highest incidence rates of IBD, with the incidence rate increasing two to three-fold over the past decade, the Group will leverage its extensive gastrointestinal sales network and collaborate with key opinion leaders in the field to make Asacol® available to more and more IBD patients in China, thus improving the health conditions of IBD patients in China.

In terms of medical devices, DRL®night orthokeratology lenses agented by the Group have successfully obtained the approval from the National Medical Products Administration and were officially launched in the Mainland China market, applicable to the temporary correction of myopia with myopia of -1.00D ~ -4.00D and astigmatism up to 1.50D. DRL®night optometric series products were developed by the European ophthalmologist Dr. Jaume Paune. DRL®night's unique double reverse curves design creates two tear reservoirs, optimises tear fluid dynamics and improves the tear exchange between the lens and the cornea, providing the wearer with faster and higher myopia prevention and control efficiency, as well as a more comfortable and safer wearing experience. The Group hopes that DRL®night orthokeratology lenses will bring more choices and better treatment results to patients, helping them to have clearer and healthier vision.

During the Reporting Period, Archimedes Biodegradable Biliary and Pancreatic Stent ("**Archimedes Stent**", registered under Class III) was approved to enter into the special review procedure for innovative medical devices by the Center for Medical Device Evaluation of the National Medical Products Administration. The Archimedes Stent is the first innovative product that the Group has applied for registration in Mainland China since the acquisition of all rights and interests in Mainland China of all the products owned by Q3 Medical Devices Limited ("**Q3 Medical**") (please refer to the announcement of the Group published on 27 December 2023 for details). The Group is currently pressing ahead with the clinical registration and localisation of series of innovative medical device products of Q3 Medical.

Innovative medical device products entering the special review process for innovative medical devices will be given priority in the registration declaration, which can significantly shorten the product registration cycle and accelerate the launch of product. In addition, the localisation of the products will be accelerated with the support of the Announcement on Matters Relating to Further Adjusting and Optimising the Production of Imported Medical Devices by Domestic Enterprises (《關於進一步調整和優化進口醫療器械產品在中國境內企業生產有關事項的公告》) issued by the National Medical Products Administration on 18 March 2025. After obtaining approval for marketing and realising localisation of the products, the Group's product pipeline will be further enriched, and the significant clinical value of the products will benefit more patients in China.

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

Category	**2024** **RMB'000**	**Percentage of the Group's total revenue/ gross profit** **(%)**	2023 RMB'000	Percentage of the Group's total revenue/ gross profit (%)
Revenue:				
Alcon series ophthalmic pharmaceutical products	**290,632**	**18.9**	301,258	19.2
Gross Profit:				
Alcon series ophthalmic pharmaceutical products	**18,117**	**2.7**	21,544	3.2

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.

In August 2024, Alcon entered into an agreement with Ocumension Therapeutics, an ophthalmic pharmaceutical platform company in the PRC, to which Alcon will transfer the market interests in China in eight of Alcon ophthalmic products (four marketed medicines for dry eye, one topical ophthalmic anesthetic, one funduscopic contrast agent, one mydriatic, and one pipeline product for dry eye). Accordingly, no new agreement will be renewed between the Group and Alcon in relation to the importation, warehousing, distribution and sale of the relevant products.

The Group extends its sincerest gratitude and best wishes to Alcon for its partnership with the Group for more than 20 years since 1996. The Group believes that the years of cooperation with Alcon have not only fueled the growth of each other's business, but also demonstrated the Group's vision and confidence in establishing stable, mutually beneficial and long term cooperative relationships with our business partners. The Group also looks forward to the opportunity for both parties to join hands again in the future in a wider range of areas.

For the Reporting Period, the Group's revenue generated from this segment decreased by 3.5% compared to last year to RMB290.6 million, representing 18.9% of the Group's revenue for the Reporting Period. Gross profit decreased by 15.9% compared to last year to RMB18.1 million, representing 2.7% of the Group's gross profit for the Reporting Period.

1.3 Product Pipeline

As China's medicines and medical device approval policy reform continues to deepen, it gradually builds a multi-level policy support system. The introduction of the Law of the People's Republic of China on the Administration of Medical Devices (Draft for Public Comment) (《中華人民共和國醫療器械管理法（草案徵求意見稿）》) has made a major breakthrough in the regulatory policy system in this field, laying a solid jurisprudential foundation for the high-quality development of the whole industry chain. At the mechanism reform level, the State accelerated the latest deployment of the launch of urgently needed medicines and equipment, proposed to improve the quality and efficiency of the review and approval, and reduced or eliminated the clinical trials for qualified innovative medicines and medical devices for rare diseases, which helped shorten the time to market of the relevant products. At the policy innovation level, the "zero-tariff" policy of Hainan Free Trade Port and the dynamic adjustment mechanism of medical insurance catalogue of many places have formed a strong policy combination, significantly lowering the threshold of market transformation of innovative products. The Group closely follows these policy changes and actively cooperates with overseas pharmaceutical and medical device companies to promote the rapid launch and promotion of innovative products with market potential in the PRC and enhance market competitiveness.

2. Marketing Network Development

The Group, as the sole importer of the overseas medical products it serves in the PRC, is committed to actively building an extensive, efficient and flexible marketing network to ensure that it is able to respond quickly to policy changes and market demands. During the Reporting Period, the Group has enhanced its market penetration and brand influence, improved the Group's operational efficiency while guarding against business operation risks by fully digesting and making use of the latest approval policies in a compliant manner, continuously sorting out the structure of its distributor network, consolidating its product distribution channels and optimising its marketing strategies.

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 pharmaceutical industry policies and violent market competition, 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 system, 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 2024.

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 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 a financial assets at FVTPL, representing an amount of RMB30.5 million. Shanghai Yuhan, incorporated in the PRC, specializes in making equity investment in various target enterprises within the pharmaceutical industry. As at 31 December 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. For the 12 months ended 31 December 2024, the Group recorded an unrealized loss of RMB2.6 million of its investment in the fund. As of 31 December 2024, 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 RMB12.2 million, has been recognized as a financial assets at FVTPL. As at 31 December 2024, 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 2024, the Group recorded an unrealized gain of RMB4.2 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 leverage 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 a 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.

4. Future and Outlook

In the context of the continued deepening of China's healthcare system reform, the pharmaceutical industry is undergoing a period of profound change in terms of regulatory upgrades and demand iteration, and the accessibility of imported pharmaceutical products and medical devices continues to improve. The traditional system of medicine research and development, review and approval, and pricing is facing optimisation and reshaping. In particular, the optimisation of market access policies and the deep implementation of centralised volume-based procurement in batches are expected to promote the popularity of more high-quality medicines and medical devices in the long term. In this process, the structural adjustment of the medicine and medical device market will inevitably have a far-reaching impact on the overall industry landscape, bringing new market opportunities and greater competitive pressure.

Looking ahead, the internal differentiation of China's pharmaceutical industry will become an irreversible trend in the long term, and innovative therapeutic products that can accurately meet clinical needs and have clear clinical value will usher in a broader market space. The Group will closely monitor the changes in policies and market dynamics of the pharmaceutical industry and have a deep insight into the development trend of the industry. On this basis, we will continue to strengthen the development and introduction of products and explore in-depth the market potential of various types of innovative products, as well as enhance our marketing capabilities to expand the market coverage of our products through precise market positioning and comprehensive marketing strategies.

In addition, with the increasing perfection of the industry chain, the Group also hopes to further promote the in-depth development of its business and enhance its overall competitiveness through strategic means such as mergers and acquisitions at the appropriate time, so as to occupy a more favourable market position in the tide of transformation and upgrading of the industry and to facilitate the sustained innovative development in the future. In the competition in the future, the Group will maintain its keen market insights, actively respond to market challenges and move forward steadily to promote the realisation of its strategic blueprint.

FINANCIAL REVIEW

Prior Year Adjustment

The comparative figures and prior year's figures presented in the consolidated financial statements for the year ended 31 December 2023 have been restated. The details are highlighted in note 2 of the above Notes to the Consolidated Financial Statements.

Revenue

Revenue decreased by 2.3% from RMB1,566.7 million in 2023 to RMB1,531.1 million in 2024. Revenue generated from pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased by 2.0% from RMB436.3 million in 2023 to RMB445.0 million in 2024. Revenue generated from medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 4.1% from RMB829.1 million in 2023 to RMB795.4 million in 2024. Revenue generated from products sold via the provision of co-promotion and channel management services decreased by 3.5% from RMB301.3 million in 2023 to RMB290.6 million in 2024.

Cost of sales

Cost of sales decreased by 5.6% from RMB898.4 million in 2023 to RMB847.8 million in 2024, primarily due to the slight decrease in revenue and the increase in gross profit margin of certain 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 0.7% from RMB148.6 million in 2023 to RMB147.5 million in 2024. Cost of sales for medical devices sold via the provision of comprehensive marketing, promotion and channel management services decreased by 9.0% from RMB470.2 million in 2023 to RMB427.8 million in 2024. Cost of sales for products sold via the provision of co-promotion and channel management services decreased by 2.6% from RMB280.0 million in 2023 to RMB272.5 million in 2024.

Gross profit and gross profit margin

Gross profit increased by 2.2% from RMB668.2 million in 2023 to RMB683.2 million in 2024. The Group's average gross profit margin increased from 42.7% in 2023 to 44.6% in 2024. The Group's gross profit margin for pharmaceutical products sold via the provision of comprehensive marketing, promotion and channel management services increased from 65.9% in 2023 to 66.9% in 2024. 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 increased from 43.3% in 2023 to 46.2% in 2024. The Group's gross profit margin for products sold via the provision of co-promotion and provision of channel management services decreased from 7.2% in 2023 to 6.2% in 2024.

Other income

Other income decreased by 14.6% from RMB52.3 million in 2023 to RMB44.7 million in 2024, primarily due to the decrease in government subsidies during the Reporting Period.

Distribution and selling expenses

Distribution and selling expenses decreased by 14.1% from RMB422.6 million in 2023 to RMB363.2 million in 2024, 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 27.0% in 2023 to 23.7% in 2024.

Administrative expenses

Administrative expenses increased by 19.4% from RMB112.1 million in 2023 to RMB133.8 million in 2024, 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 7.2% in 2023 to 8.7% in 2024.

Finance costs

Finance costs decreased by 2.2% from RMB2.5 million in 2023 to RMB2.4 million in 2024.

Other gains and losses

The Group's other gains and losses decreased from loss of RMB12.8 million in 2023 to loss of RMB12.7 million in 2024.

Income tax expense

Income tax expense increased by 39.4% from RMB48.6 million in 2023 to RMB67.7 million in 2024, primarily due to the increase in profit during the Reporting Period. The Group's effective income tax rate in 2024 and 2023 were 31.7% and 28.5%, 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 Pharma Co. Ltd (重慶先鋒醫藥有限公司) ("**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 increased by 19.4% from RMB121.8 million in 2023 to RMB145.4 million in 2024. The Group's net profit margin increased from 7.8% in 2023 to 9.5% in 2024.

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 RMB114.4 million as of 31 December 2023 to RMB103.6 million as of 31 December 2024.

The following table is a condensed summary of combined statements of cash flows for the year ended 31 December 2024:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net cash from/(used in) operating activities	**214,831**	(118,686)
Net cash (used in)/from investing activities	**(99,761)**	69,507
Net cash used in financing activities	**(125,924)**	(50,562)
Net decrease in cash and cash equivalents	**(10,854)**	(99,741)
Cash and cash equivalents at beginning of the year	**114,427**	214,008
Effect of foreign exchange rate changes	**–**	160
Cash and cash equivalents at end of the year	**103,573**	114,427

Net cash from/(used in) operating activities

In 2024, the Group's net cash from operating activities was RMB214.8 million compared to net cash used in operating activities of RMB118.7 million in 2023. This was mainly due to the increase in profit and the decrease in cash used for inventory purchases during the Reporting Period.

Net cash from investing activities

In 2024, the Group's net cash used in investing activities was RMB99.8 million compared to net cash from investing activities of RMB69.5 million in 2023. This was mainly due to the increase in the prepayment for the purchase of proprietary technology during the Reporting Period.

Net cash used in financing activities

In 2024, the Group's net cash used in financing activities was RMB125.9 million compared to net cash used in financing activities of RMB50.6 million in 2023. This was mainly due to the year-on-year decrease in new bank borrowings during the Reporting Period.

Bank borrowings and gearing ratio

The Group had total bank borrowings of RMB62.4 million as at 31 December 2024 compared to RMB60.0 million as at 31 December 2023. On 31 December 2024, the effective interest rate of the Group's bank borrowings was between 1.78% to 4.10%. The Group's gearing ratio, calculated as bank borrowings divided by total assets, was 4.3% as at 31 December 2024 compared to 3.9% as at 31 December 2023.

Net Current Assets

	As at 31 December	
	2024 **RMB'000**	2023 RMB'000
Current Assets		
Inventories	**321,172**	417,934
Trade and other receivables	**502,325**	538,575
Financial asset at fair value through profit or loss	**–**	10,000
Tax recoverable	**344**	3,953
Pledged bank deposits	**6,451**	22,040
Bank balances and cash	**103,573**	114,427
	933,865	1,106,929
Current Liabilities		
Trade and other payables	**171,159**	338,230
Amount due to a related party	**4,505**	5,643
Tax liabilities	**32,750**	17,265
Bank borrowings	**62,359**	59,971
Contract liabilities	**3,246**	20,280
Lease liabilities	**1,399**	1,301
	275,418	442,690
Net Current Assets	**658,447**	664,239

As of 31 December 2024, the Group has sufficient working capital and financial resources for daily operations.

Inventories

The Group's inventory balances decreased by 23.2% from RMB417.9 million as at 31 December 2023 to RMB321.2 million as at 31 December 2024, mainly due to the decrease in sales of inventories reserved in the prior period during the Reporting Period and the decrease in inventory reserves as the Group optimised its inventory management.

Trade and other receivables

The Group's trade and other receivables decreased by 6.7% from RMB538.6 million as at 31 December 2023 to RMB502.3 million as at 31 December 2024. Trade receivables average turnover days decreased from 100.9 days as at 31 December 2023 to 94.1 days as at 31 December 2024.

Trade and other payables

The Group's trade and other payables decreased by 49.4% from RMB338.2 million as at 31 December 2023 to RMB171.2 million as at 31 December 2024. The Group's trade payables average turnover days decreased from 123.6 days as at 31 December 2023 to 87.3 days as at 31 December 2024, 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	
	2024 RMB'000	2023 RMB'000
Purchases of property, plant and equipment	**6,822**	30,922
Payment for deposits for acquisition of property, plant and equipment, intangible assets and technique know-how	**48,153**	13,569
Purchases of intangible assets	**222**	65
Total	**55,197**	44,556

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 2024			
Bank borrowings	**62,359**	**–**	**62,359**
Trade payables	**120,479**	**–**	**120,479**
Amounts due to related parties	**4,505**	**–**	**4,505**
Lease liabilities	**1,399**	**11,463**	**12,862**
As of 31 December 2023			
Bank borrowings	59,971	–	59,971
Trade payables	284,496	–	284,496
Amounts due to 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 31 December 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 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 arise.

Dividend

For the dividends paid during the year ended 31 December 2024, the final dividend of the year ended 31 December 2023 and the interim dividend for the six months ended 30 June 2024 was HKD0.024 per share and HKD0.048 per share respectively. The Board proposes a final dividend of HKD0.056, amounting to HKD70,417,000 for the year ended 31 December 2024. The expected payment date of final dividend for the year ended 31 December 2024 is 16 June 2025.

There is no any arrangement under which shareholders of the Company have waived or agreed to waive any dividend.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2024, the Group had a total of 335 employees. For the year ended 31 December 2024, the staff cost of the Group was RMB79.8 million as compared to RMB76.6 million for the year ended 31 December 2023.

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 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 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, 30 May 2025. 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 Wednesday, 21 May 2025 to Friday, 30 May 2025, 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, 30 May 2025. Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 21 May 2025 (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 Tuesday, 20 May 2025.

The register of members of the Company will also be closed from Thursday, 5 June 2025 to Monday, 9 June 2025, 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, 5 June 2025 (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, 4 June 2025.

Director and Senior Management

EXECUTIVE DIRECTORS

LI Xinzhou (李新洲), aged 62, is chairman of the Group and an executive Director of the Company. Mr. Li is the founder of the Group and joined Pioneer Pharma Shareholding Company Limited ("**Pioneer Pharma**"), our initial corporate entity, in July 1996 as its general manager and chairman, responsible for managing the operations and planning and formulating the Group's strategies. Mr. Li has over 29 years of experience in the pharmaceutical services industry. Under Mr. Li's leadership, our Group has received numerous awards and recognitions. Mr. Li is a director of Pioneer Pharma (BVI) Co., Ltd. and Tian Tian Limited, each being a substantial shareholder of the Company.

Mr. Li has over 37 years of experience in international trading and management. Prior to joining the Group, Mr. Li worked at the Hainan branch of Sumitomo Corporation. From August 1984 to August 1988, Mr. Li worked as an English translator in China Offshore Oil Nanhai West Corporation (中海油南海西部公司) and from July 1981 to August 1984, he worked as an English teacher at Jianghan Oil Field Dongfanghong High School (江漢油田東方紅學校). Mr. Li has also held various positions in trade associations. He was the vice chairman of the Hainan General Chamber of Commerce (海南省總商會) and the standing vice president of Hainan Hubei Chamber of Commerce (海南省湖北商會). He has also served as a member of the Chinese People's Political Consultative Conference Hainan Committee (海南省政協). Mr. Li graduated from Jianghan Petroleum Normal School (江漢石油師範學校) with a diploma in English in July 1981. He also studied at the China Europe International Business School (中歐國際工商學院). Mr. Li is also the chairman of the nomination committee of the Board (the "**Nomination Committee**").

YANG Yuewen (楊悅文), aged 37, is an executive Director of the Company. Mr. Yang joined the Group in September 2016 and worked as product manager, marketing manager and the general manager of the AW business unit and was responsible for the promotion and sales of Alfa Sigma's products and NovaBay's products from September 2016 to January 2022. In January 2022, he was appointed as the chief operating officer of the Group. Prior to joining the Group, Mr. Yang worked at Novartis pharma limited and AstraZeneca pharma limited and was responsible for marketing in the CV area. Mr. Yang graduated from Jiangxi University of Chinese Medicine with a bachelor's degree in pharmaceutical engineering in June 2010 and graduated from Jiangxi University of Chinese Medicine with a master's degree in pharmaceutical chemistry in June 2013 (the major was a joint training program between China State Institute of Pharmaceutical Industry and Jiangxi University of Chinese Medicine).

Zhang Quan (張權), aged 62, is an executive Director of the Company. Mr. Zhang started cooperation with the Group as a consultant of the dental business division in March 2020, and worked as the regional sales manager of the dental business division of the Group since March 2021. He was appointed as the general manager of the dental business division of the Group on 30 August 2021, in charge of the marketing and sales of Ivoclar Vivadent Zenostar (WIELAND ZENOSTAR) and Korea's DMAX series zirconia products, of which the dental business division is the agent. Mr. Zhang has been in the sales of dental-related materials since 1993, and from 1994 to 2020, he worked for Dentsply Dental (Tianjin) Trading Co., LTD, Soundwatch (Siemens) Hearing Services LTD, Sirona Dental Systems (Shanghai) Trading Co., LTD and Ivoclar Vivadent (Shanghai) Trading Co., LTD, having nearly 32 years of marketing/sales experience in dental business. Mr. Zhang graduated from Beijing Institute of Civil Engineering and Architecture with a major in Industrial and Civil Architecture in June 1986.

NON-EXECUTIVE DIRECTOR

HU Mingfei (胡明非), aged 62, is a non-executive Director of the Company. Ms. Hu joined the Company in December 2020. Ms. Hu obtained the degrees of Bachelor of Law in 1986 and Master of Law in 2000 from Peking University. She was a visiting scholar to the European Union in 2000 and to the University of British Columbia in 2003. Ms. Hu is experienced in law and medical devices. She served in the Supreme People's Court of the People's Republic of China from 1986 to 2002 with her last duty as a judge (審判員), and in Beijing Vistek Medical Co, Ltd. from 2004 to 2019 with her last duty as Vice President and as Senior Consultant (高級顧問) to Shanghai Xinlang Medical Co., Ltd. (上海鑫朗醫療器械有限公司) from 2019 to 2020. Ms. Hu is a member of the audit committee of the Board (the "**Audit Committee**") and a member of the remuneration committee of the Board (the "**Remuneration Committee**").

INDEPENDENT NON-EXECUTIVE DIRECTORS

ZHANG Hong (張虹), aged 66, is an independent non-executive Director of the Company. Mr. Zhang joined our Company in January 2019. Mr. Zhang is an expert in public security governance. Prior to joining the Group, he served in a shipping organisation in the PRC for 38 years since 1980. He held various senior positions at such organisation, and was mainly responsible for handling legal matters and administration management. From 1982 to 1999, Mr. Zhang pursued his studies at Hubei University and other Institutions, in the areas of law, administrative management, corporate management, as well as economics and management. Mr. Zhang is the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee.

LAI Chanshu (賴展樞), aged 77, is an independent non-executive Director of the Company. Mr. Lai joined our Company in December 2021. He has over 46 years of experience in the pharmaceutical industry. He worked at the marketing and sales department for the Taiwan branch of Merck Sharp & Dohme (默沙東藥廠) during the period from September 1972 to December 1974. He worked as the general manager of the Taiwan market at Alcon Pharmaceuticals Ltd. (愛爾康藥品(股份)公司) from January 1975 to February 2002. He was the general manager of logistics and management at Taiwan De Hua Pharmaceuticals Ltd. (台灣德樺藥品股份有限公司) from March 2002 to May 2008. Mr. Lai was an independent non-executive Director of the Company from October 2013 to December 2018. Before rejoining the Group, he was the lead consultant of the China and Taiwan market at Kim Huc Trading and Consultant Co., Ltd. (金旭貿易暨諮詢責任有限公司) from March 2019. Mr. Lai graduated from Taipei Medical University (臺北醫學大學) with a bachelor's degree in pharmacy in June 1971. He has been a pharmacist registered with the Department of Health of the Republic of China (中華民國行政院衛生署) since April 1972. Mr. Lai is a member of the Nomination Committee and a member of the Remuneration Committee.

Zhang Changhai (張長海), aged 51, is an independent non-executive Director of the Company. Mr Zhang is a Professorate Senior Accountant, doctoral supervisor, Certified Public Accountant and a member of the Association of International Accountant (AIA). Mr. Zhang joined the Group in March 2024. Mr. Zhang has nearly 30 years of working experience in the field of auditing and accounting, and was the 2022 National Accounting Advanced Worker (2022年全國會計先進工作者). He worked as a professor of accounting in the Management School and the deputy director of the Department of Accounting of Hainan University from January 2013 to September 2014; from October 2014 to May 2022, he worked as the deputy director and director of the Finance Office, professor of accounting and doctoral supervisor of Hainan University; from June 2022 to December 2023, he worked as the secretary of the Party Committee of Civil Engineering and Architecture School of Hainan University; and since December 2023, he worked as the professor of accounting and doctoral supervisor of International Business School of Hainan University. Mr. Zhang holds a bachelor's degree in economics and a master's degree in management and received a doctoral degree in management from Jinan University. Mr. Zhang has also participated in the continuous professional education for Certified Public Accountants every year since 2000. Mr. Zhang is the chairman of the Audit Committee.

SENIOR MANAGEMENT

YU Yue (余悦), aged 43, is the government affairs director of the Company. Ms. Yu joined the Group in October 2013 and was appointed as government affairs director of the Group, responsible for the Group's government affairs and government relation management. Ms. Yu graduated from Dongbei University of Finance and Economics with a bachelor's degree in management in September 2004, and with a master's degree in enterprise management in January 2007.

ZHENG Yongxiang (鄭永翔), aged 56, is the general manager of the Investment Department of the Company. Mr. Zheng joined the Group in January 2024 and was appointed as the general manager of the Investment Department of the Group, mainly responsible for the Group's external investment, post-investment management and financing. Prior to joining the Group, Mr. Zheng worked for Zijin Mining Group (紫金礦業集團), Fosun International Group (復星國際集團), Dongneng International Investment Co. Ltd. (東能國際投資有限公司) and Boill Fund Management (HK) Co., Limited (保集基金管理（香港）有限公司). He has more than 30 years of experience in healthcare, cross-border mergers and acquisitions, fund management and international trade. Mr. Zheng obtained a bachelor's degree in economics from Renmin University of China in June 1992, a master's degree in business administration from the University of New South Wales, Australia in September 2002 and an executive master's degree in business administration (EMBA) from China Europe International Business School (CEIBS) in June 2010.

YANG Xiuyan (楊秀顏), aged 62, is the general manager of the Polichem business unit of the Company. Ms. Yang joined the Group in December 1998 and worked as the manager for the Shandong and Northern China area between 1998 and 2012. She was appointed as our deputy general manager and sales director in January 2013 and was responsible for the sales and marketing activities of our Group, in particular in the Northern Yangtze River area. In September 2014, Ms. Yang was appointed as general manager of the AW (Alfa Wassermann) Business Unit, with responsibility for the promotion and sales of AW's products. In October 2020, Ms. Yang was appointed as the general manager of the Polichem Business Unit, and is responsible for the promotion and sales of Difene and Polimod products. She has over 31 years of working experience in the pharmaceutical industry. Prior to joining our Group, Ms. Yang worked at Boli People's Hospital of Heilongjiang Province (黑龍江省勃利人民醫院). Ms. Yang was awarded a bachelor's degree in clinical medicine by the Binzhou Medical University (濱州醫學院) in July 1986.

HUANG Wenfei (黃文斐), aged 55, is the domestic general manager of the Terra Maestro and the consultant of the ophthalmology business unit of the Company. Ms. Huang joined the Group in 1998 and worked as a manager of our commerce department between 1998 and 2004 and a sales director in 2004. She was appointed as our deputy general manager in October 2004 and a director of Pioneer Pharma in April 2011, responsible for various aspects of our business, including human resources, administration, product registration, purchase, logistics, product quality, commerce and government affairs. In September 2014, Ms. Huang was appointed as general manager of our ophthalmology business unit, responsible for the promotion and sales of all ophthalmic medical device products of the Group. Ms. Huang was appointed as the domestic general manager of the Terra Maestro and the consultant of the ophthalmology business unit of the Group in February 2025, and responsible for the sales and marketing of the Terra Maestro series of products in Mainland China. Ms. Huang has nearly 27 years of working experience in the pharmaceutical industry. Prior to joining the Group, she worked at Shanghai Xudong Haipu Pharmaceutical Co., Ltd. (上海旭東海普藥業有限公司) and Shanghai Eighteenth Pharmaceutical Factory (上海第十八製藥廠). Ms. Huang obtained an executive master's degree in business administration from Tongji University (同濟大學) in March 2009.

WANG Rongrong (王榮榮), aged 46, is the general manager of the Alcon business unit and national director of the commerce department of the Company. Ms. Wang joined the Group in July 2004, and worked as a manager of the commerce department from September 2006 to August 2014. In September 2014, Ms. Wang was appointed as our national director of the commerce department, mainly responsible for strategic management, bidding management, channel management, data management and other business related work. Ms. Wang was appointed as our general manager of the Alcon business unit in January 2016, mainly responsible for co-promotion and channel management of Alcon's products. Ms. Wang has more than 21 years of working experience in pharmaceutical industry. Prior to joining the Group, Ms. Wang worked in the Hainan Sanye Pharmaceutical Group (海南三葉醫藥集團). Ms. Wang received a bachelor's degree in biological engineering in June 2000, and a licensed pharmacist qualification certificate in 2005.

LIU Xuefeng (劉雪峰), aged 49, is the business development director of the Company. Mr. Liu joined the Group in April 2022, mainly responsible for sourcing new products and exploring business opportunities. Between August 1999 and September 2002, he worked at Hangzhou Zhongmei Huadong Pharmaceutical Co., Ltd. (杭州中美華東製藥有限公司). Mr. Liu worked as an assistant general secretary and head of the international council at the Chinese Society of Biochemistry and Molecular Biology (中國生物化學與分子生物學會) since July 2005. Mr. Liu was a medical representative at AstraZeneca (Wuxi) Trading Co. Ltd. (阿斯利康(無錫)貿易有限公司) between January 2008 and August 2008, responsible for promoting medical and pharmaceutical products knowledge to customers. Mr. Liu worked for the Company from September 2008 to August 2020. Before rejoining the Company, he worked as the Deputy General Manager of Shanghai Synfarm Pharmaceutical Technology Co., Ltd. since October 2020. Mr. Liu was awarded a bachelor's degree in biopharmaceuticals from China Pharmaceutical University (中國醫科大學) in July 1999 and a master's degree in microbiology and biochemical pharmacy from the Shanghai Institute of Pharmaceutical Industry (上海醫藥工業研究院) in July 2005.

XUE Yi (薛毅), aged 50, is the chief financial officer of the Company. Mr. Xue joined the Group in January 2002 and served as the manager of the audit department, the manager of the finance department, deputy financial officer. He was appointed as the chief financial officer in December 2016. Mr. Xue is also the executive director of the Company's wholly-owned subsidiary Naqu Area Pioneer Pharma Co., Ltd. Mr. Xue has over 24 years of experience in the accounting and auditing field. Mr. Xue obtained a bachelor's degree in accounting from Southwestern University of Finance and Economics in June 1997, and obtained the qualification of Intermediate Level Accountant in August 2000.

COMPANY SECRETARY

NG Ka Man (吳嘉雯), is the company secretary of the Company. Ms. Ng is a senior manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate service provider). She has more than 17 years of experience in the company secretarial field. She is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the Group is principally engaged in the provision of comprehensive marketing, promotion and channel management services for imported pharmaceutical products and medical devices in China. The analysis of the revenue of the principal activities of the Group during the year ended 31 December 2024 is set out in note 7 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 92 of this annual report.

BUSINESS REVIEW AND BUSINESS OUTLOOK

The business review of the Group for the year ended 31 December 2024 and the business outlook of the Group are set out in the section headed "Management Discussion and Analysis" on pages 8 to 23 of this annual report.

KEY FINANCIAL PERFORMANCE INDICATORS

The financial key performance indicators of the Group for the year ended 31 December 2024 are set out in the section headed "Financial Highlights" on page 3 of this annual report.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 21 May 2025 to Friday, 30 May 2025 (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, 30 May 2025. Shareholders whose names appear on the register of members of the Company at the close of business on Wednesday, 21 May 2025 (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 Tuesday, 20 May 2025.

The final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 5 June 2025 (Hong Kong time). The register of members of the Company will also be closed from Thursday, 5 June 2025 to Monday, 9 June 2025 (both days inclusive), in order to determine the entitlement of the Shareholders to the final dividend (if approved by the Shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 4 June 2025 (Wednesday).

FINANCIAL SUMMARY

A summary of the Group's results, assets and liabilities for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, the Group's products purchased from the largest supplier, accounted for 28.39% (2023: 29.48%) of total products purchased, and products purchased from the five largest suppliers accounted for 68.36% (2023: 68.82%) of the Group's total products purchased.

For the year ended 31 December 2024, the Group's sales to its largest customer accounted for 6.02% (2023: 5.55%) of the Group's revenue, and sales to the five largest customers accounted for 18.62% (2023: 18.7%) of the Group's total revenue.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2024 are set out in note 17 to the consolidated financial statements.

SUBSIDIARIES

Details of the major subsidiaries of the Company as of 31 December 2024 are set out in note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2024 are set out in note 35 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2024 are set out on page 95 in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands and the Company's articles of association (the "**Articles of Association**") amounted to approximately RMB423.1 million (as at 31 December 2023: RMB464.4 million).

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2024 are set out in note 30 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for the Share Award Scheme as set out in the section headed "Share Award Scheme" below, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2024.

RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties including business risks, operational risks and financial management risks. The Group's key risk exposure is summarised as follows:

Business risks	(i)	Slowdown of China's economic growth resulting in the government promoting structural reforms on the supply side
	(ii)	Changes of government policy and the market in respect of healthcare products in China in 2024
Operational risks	(i)	Product liability claims, product recalls and complaints as a result of marketing, promoting and selling pharmaceutical products and medical devices in China
	(ii)	Reliance on key personnel – business and growth may be disrupted if the Group is not able to retain the key personnel
Financial risks	(i)	Currency risk
	(ii)	Interest rate risk
	(iii)	Credit risk
	(iv)	Liquidity risk

Details in respect of the Group's financial risk management are set out in note 39 to the consolidated financial statements.

There may be other risks and uncertainties in addition to those mentioned above which are not known to the Group or which may not be material now but could be material in the future.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The main business of the Group is to promote, market and sell pharmaceuticals and medical devices. Meanwhile, the Rongchang Production Base in Chongqing and the ECD Equipment Production Line are gradually being put into operation. As the current production scale is relatively small, the substantial impact on the environment is limited in general. The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. More details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 58 to 87 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations and particularly those which have a significant impact on the Group. As a listed company in Hong Kong, the shares of the Company have been listed on the Main Board of the Stock Exchange on 5 November 2013 (the "**Listing Date**"). The Company continuously complies with the requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (including the disclosure requirements, corporate governance provisions and Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained therein). Under the Securities and Futures Ordinance (Cap. 571) (the "**SFO**"), the Company is required to maintain a register of interests in shares and short positions and a register of directors' and chief executives' interests and short positions and is obliged to comply with disclosure requirements in respect of inside information. The Board will monitor the Group's policies and practices in respect of compliance with legal and regulatory requirements and such policies and practices are regularly reviewed. Any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group's success also depends on the support of key stakeholders which comprise employees, customers, peers, service vendors, regulators and Shareholders. Employees are regarded as the most important and valuable assets of the Group. The Group maintains a good relationship with its employees and did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or suffer from any material labour dispute during the year ended 31 December 2024. The Group also understands the importance of maintaining a good relationship with its suppliers and customers to meet its short-term and long-term goals. It enjoys good relationships with suppliers and customers and strives to take an active part in the communities where they operate.

DIRECTORS

The Directors during the year ended 31 December 2024 and up to the date of this annual report were:

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. Wong Chi Hung, Stanley *(Note 1)*
Mr. Zhang Changhai *(Note 2)*

Notes:

1. Mr. Wong Chi Hung, Stanley has resigned as an independent non-executive Director and the chairman of the Audit Committee with effect from 26 March 2024 due to personal career adjustment.

2. Mr. Zhang Changhai has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 26 March 2024. He has obtained the legal advice referred in Rule 3.09D of the Listing Rules on 25 March 2024 and confirmed he understood his obligations as a director of a listed issuer.

In accordance with article 104(1) of the Articles of Association, Mr. Zhang Quan, Ms. Hu Mingfei and Mr. Lai Chanshu will retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the AGM circular.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 24 to 28 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent for the year ended 31 December 2024 and as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Mr. Li Xinzhou, an executive Director, has automatically renewed his service agreement with the Company for a term of one year commencing from 16 October 2024, which may be terminated by not less than one month's notice in writing served by either party to the other. Mr.Yang Yuewen, an executive Director, entered into a service contract with the Company for a term of three years commencing from 16 September 2022, and this may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Zhang Quan, an executive Director, entered into a service contract with the Company for a term of three years commencing from 12 October 2023, and this may be terminated by not less than one month's notice in writing served by either party to the other.

Mr. Zhang Changhai, an independent non-executive Director, entered into a service contract with the Company for a term of three years commencing from 26 March 2024, and this may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Zhang Hong, an independent non-executive Director, renewed a letter of appointment with the Company for a term of one year commencing from 1 January 2025, and this may be terminated by not less than one month's notice in writing served by either party to the other. Ms. Hu Mingfei, the non-executive Director, renewed a service contract with the Company for a term of three years commencing from 16 December 2023, and this may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Lai Chanshu, an independent non-executive Director, renewed a service contract with the Company for a term of three years commencing from 31 December 2024, and this may be terminated by not less than one month's notice in writing served by either party to the other.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed in note 29 to the consolidated financial statements and in the section headed "Connected transactions" below, no Director nor any entity connected with a Director is or was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is of significance to the business of the Group or to which the Company or any of its subsidiaries, its parent company or the subsidiaries of its parent company was a party during or at the end of the Reporting Period.

MANAGEMENT CONTRACTS

No contracts concerning the management and operation of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

EMPLOYEES AND EMOLUMENT POLICY

As of 31 December 2024, the Group had an aggregate of 335 full-time employees. The Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Company has adopted the Share Award Scheme as an incentive to eligible employees. Details of the scheme are set out in the section headed "Share Award Scheme" below.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme of the Company are set out in note 37 to the consolidated financial statements.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five highest paid individuals are set out in note 15 to the consolidated financial statements.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

During the year ended 31 December 2024 and up to the date of this annual report, there were no changes to information which is required to be disclosed and had been disclosed by 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 POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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 SFO) (i) which were required to be 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) which were required, pursuant to section 352 of the SFO, to be entered into the register maintained by the Company, or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in the Shares of the Company

Name of Directors	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Li Xinzhou	Interest of spouse[1]	834,795,000 (L)	66.39%
	Beneficial owner	9,714,000 (L)	0.77%

Remark:

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

Note:

1. Ms. Wu Qian holds 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 held by Pioneer Pharma (BVI) Co., Ltd., and Ms. Wu Qian holds 1,403,000 Shares of the Company. As Ms. Wu Qian is the spouse of Mr. Li Xinzhou, Mr. Li Xinzhou is deemed to be interested in such 834,795,000 Shares.

Interests in the Associated Corporations of the Company

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

Remark:

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

Note:

1. Mr. Li, together with his spouse Ms. Wu Qian holds 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 31 December 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) (i) which were required to be notified to the Company and the Stock Exchange, or (ii) which were required to be recorded in the register to be kept by the Company under section 352 of the SFO, or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the year ended 31 December 2024 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouses 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 18 years of age, to acquire such rights in any other body corporate.

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

As at 31 December 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[1]	833,392,000 (L)	66.28%
	Interest of spouse[2]	9,714,000 (L)	0.77%
	Beneficial owner	1,403,000 (L)	0.11%
Tian Tian Limited[4]	Interest of controlled corporation[3]	833,392,000 (L)	66.28%
Pioneer Pharma (BVI) Co., Ltd.[4]	Beneficial owner	833,392,000 (L)	66.28%
Bank of Communications Trustee Limited	Trustee	98,071,000 (L)	7.80%

Remark:

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

Notes:

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 held by Pioneer Pharma (BVI) Co., Ltd..

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

3. Tian Tian Limited through its controlled corporation, Pioneer Pharma (BVI) Co., Ltd., is deemed to be interested in 833,392,000 Shares held by Pioneer Pharma (BVI) Co., Ltd.

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

Save as disclosed above, as at 31 December 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 recorded in the register referred to therein.

SHARE AWARD SCHEME

The share award scheme was adopted by the Board on 10 April 2015 (the "**Share Award Scheme**") and was announced for renewal on 8 April 2025, with effect from 10 April 2025 to 9 April 2035. As of the date of this report, the remaining valid period of the Share Award Scheme is 3,632 days. For details of the renewed Share Award Scheme, please refer to the announcement of the Company dated 8 April 2025. As at 22 April 2025, the latest practicable date for this report, 98,483,000 shares (approximately 7.83% 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. On 9 October 2018, the above awarded shares lapsed automatically due to non-vesting upon the expiration of the vesting period. 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.

CONTROLLING SHAREHOLDERS' CONTRACTS OF SIGNIFICANCE

During the year ended 31 December 2024, no contracts of significance were entered into by the Company or any of its subsidiaries with the Company's controlling shareholder or its subsidiaries; and no contracts of significance for the provision of services to the Company or its subsidiaries were entered into by the Company's controlling shareholder or its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2024, none of the Company and its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands where the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

NON-COMPETITION UNDERTAKING

Each of Mr. Li Xinzhou, Ms. Wu Qian and Pioneer Pharma (BVI) Co., Ltd. (the "**Controlling Shareholders**") has executed a deed of non-competition through which they have irrevocably and unconditionally warranted and undertaken to the Company not to, whether directly or indirectly or as principal or agent, and whether on its/his/her own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any subsidiary of the Company) conduct any business in the PRC or overseas which is in competition with, or is likely to be in competition with, the business carried on by any member of the Group.

The Controlling Shareholders have confirmed in writing to the Company their compliance with the deed of non-competition for disclosure in this annual report for the year ended 31 December 2024. The independent non-executive Directors, after reviewing the deed of non-competition and considering whether the Controlling Shareholders have abided by the non-competition undertaking, confirmed that they had determined that the Controlling Shareholders have not been in breach of the non-competition undertaking for the year ended 31 December 2024.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, as at 31 December 2024, none of the Directors or their respective associates engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

CONNECTED TRANSACTIONS

On 28 October 2022, the Company, Hunan Tiantong Environmental Protection Co., Ltd. (now known as "Hunan Tiantong Electric Appliance Co., Ltd." ("**Hunan Tiantong**")) and Mr. Li Xinzhou ("**Mr. Li**") entered into the guarantee framework agreement, pursuant to which the member companies of the Group agreed to provide the guarantee of an aggregate amount of not more than RMB500 million to the member companies of Hunan Tiantong Group in respect of their application for loans from the banks, whereas Mr. Li, a controlling Shareholder, will provide the counter guarantee for the guarantee. The guarantee framework agreement is valid for a term of three years and will be effective from 22 December 2022, among which, the counter guarantee will take effect on the same date as the guarantee until the termination of the Company's obligations under the guarantee. For details, please refer to the announcement of the Company dated 28 October 2022 entitled "Continuing Connected Transactions – Provision of Continuing Guarantee to a Connected Subsidiary".

As of the signing date of the guarantee framework agreement, Hunan Tiantong is a non-wholly owned subsidiary of the Company in which 39% of equity interest is owned by Tiandao Medical, an associate of Mr. Li. Therefore, Hunan Tiantong is a connected subsidiary of the Company and the provision of the guarantee to Hunan Tiantong by the Company constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The external auditor of the Company has issued the unqualified letter containing the conclusions in respect of the continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules. The independent non-executive Directors confirm after reviewing the continuing connected transaction, although the Guarantee Framework Agreement was not entered into in the ordinary course of business of the Group, the terms of the Guarantee Framework Agreement are fair and reasonable, entered into after arm's length negotiations by the Company, Hunan Tiantong and Mr. Li, determined on normal or better commercial terms and in the interests of the Company and its Shareholders as a whole.

Significant related party transactions entered into by the Group for the year ended 31 December 2024 are disclosed in note 29 to the consolidated financial statements. Save as disclosed herein, no other transactions constituted a connected transaction or a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules as and where applicable and relevant.

A copy of the auditor's letter has been provided to the Company that nothing has come to its attention that causes him to believe that the continuing connected transaction:

a. has not been approved by the Company's board of directors;

b. was not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

c. has exceeded the annual cap as set by the Company.

CHARITABLE DONATIONS

For the year ended 31 December 2024, the Group donated funds or equivalent materials totaling RMB709,200 to various charitable organizations such as the People's Hospital Medical Fund of the Dongyang Charity Federation, the Zhejiang University Education Foundation, the Henan Provincial Charity Federation, and the Red Cross Society of Jinhua City.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2024, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

PERMITTED INDEMNITY PROVISION

For the year ended 31 December 2024, the Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

POST BALANCE SHEET EVENTS

As at the date of Independent Auditor's Report attached to this annual report, the Group has no material post balance sheet events.

DISCLOSURE UNDER RULES 13.20 TO 13.22 OF THE LISTING RULES

The Directors are not aware of any circumstances resulting in a disclosure obligation under Rules 13.20 to 13.22 of the Listing Rules.

AUDIT COMMITTEE

The Board has established the Audit Committee which, during the Reporting Period, comprised 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, 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 2024 of the Group have 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 2024.

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 contained in 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 2024.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 42 to 57 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, are held by the public at all times as of the date of this annual report.

AUDITOR

The financial statements of the Group for the year ended 31 December 2024 were audited by BDO Limited. The Company will submit a resolution in the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Mr. Li Xinzhou
Chairman

Corporate Governance Report

The Board is pleased to present this corporate governance report in the annual report of the Company for the year ended 31 December 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 2024. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

The Board currently comprises three executive Directors, namely Mr. Li Xinzhou (the Chairman of the Board), Mr. Yang Yuewen and Mr. Zhang Quan, one non-executive Director, namely Ms. Hu Mingfei, and three independent non-executive Directors, namely Mr. Zhang Hong, Mr. Lai Chanshu and Mr. Zhang Changhai. The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

For the year ended 31 December 2024, the Board at all times met the requirements of the Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Under Rule 3.10A of the Listing Rules, listed issuers are required to appoint independent non-executive Directors representing at least one-third of the Board. The Company has three independent non-executive Directors currently representing over one-third of the Board and therefore the Company has complied with Rule 3.10A of the Listing Rules.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules. In order to ensure that the Board has access to independent and objective advice, the Company has made a mechanism to require the prior approval or independent advice of independent non-executive Directors for material matters such as connected transactions. The Board reviews the effectiveness of the mechanism annually.

None of the Directors has any personal relationship (including financial, business, family or other material or relevant relationship), with any other Director or chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, Directors have agreed to disclose their commitments to the Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director receives a formal, comprehensive and tailored induction programme on the first occasion of his/her appointment to ensure appropriate understanding of the business and operation of the Company and full awareness of Directors' responsibilities and obligations under the Listing Rules and relevant statutory requirement.

The Company arranges regular seminars to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages Directors to participate in continuous professional development to develop and refresh their knowledge and skills. During 2024, the executive Directors Mr. Li Xinzhou, Mr. Yang Yuewen and Mr. Zhang Quan, the non-executive Director Ms. Hu Mingfei, and the independent non-executive Directors Mr. Zhang Hong, Mr. Lai Chanshu, and Mr. Zhang Changhai participated in continuous professional development to develop and refresh their knowledge and skills in compliance with code provision C.1.4 of the CG Code. The Company's external lawyers facilitated Directors' further training by providing presentations, briefings and materials for the Directors primarily relating to the roles, functions and duties of a listed company director. All Directors received this training. The external company secretarial services firm engaged by the Company from time to time to updates and provides written training materials relating to the roles, functions and duties of a director. All the Directors studied those materials, and they are asked to submit a signed training record to the Company on an annual basis.

Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals. Companies listed on the Stock Exchange are expected to comply with such requirement, but may choose to deviate from such requirement, currently, the position of the Chairman of the Board of the Company is held by Mr. Li Xinzhou and chief executive officer of the Company (the "**Chief Executive Officer**") is vacant. The board will search for a suitable candidate as soon as possible.

Appointment and Re-Election of Directors

Mr. Li Xinzhou, an executive Director, has automatically renewed his service agreement with the Company for a term of one year commencing from 16 October 2024, which may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Yang Yuewen, an executive Director, entered into a service contract with the Company for a term of three years commencing from 16 September 2022, and this may be terminated by no less than one month's notice in writing served by either party to the other. Mr. Zhang Quan, an executive Director, entered into a service contract with the Company for a term of three years commencing from 12 October 2023, and this may be terminated by not less than one month's notice in writing served by either party to the other.

Mr. Zhang Changhai, an independent non-executive Director, entered into a service contract with the Company for a term of three years commencing from 26 March 2024, and this may be terminated by not less than one month's notice in writing served by either party to the other. Mr. Zhang Hong, an independent non-executive Director, renewed a letter of appointment with the Company for a term of one year commencing from 1 January 2025, and this may be terminated by not less than one month's notice in writing served by either party to the other. Ms. Hu Mingfei, the non-executive Director, renewed a service contract with the Company for a term of three years commencing from 16 December 2023, and this may be terminated by no less than one month's notice in writing served by either party to the other. Mr. Lai Chanshu, an independent non-executive Director, renewed a service contract with the Company for a term of three years commencing from 31 December 2024, and this may be terminated by no less than one month's notice in writing served by either party to the other.

None of the Directors has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with the Articles of Association, all Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a causal vacancy or as an addition to the Board shall submit himself or herself for re-election by Shareholders at the next following annual general meeting of the Company after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association.

The Nomination Committee is responsible for reviewing the Board composition and monitoring the appointment, re-election and succession planning of Directors.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notice of not less than fourteen days is given for all regular board meetings to provide all Directors with an opportunity to attend and include matters on the agenda. For other Board and committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

Minutes of the Board meetings and committee meetings record in sufficient detail the matters considered by the Board and the committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of Board meetings are open for inspection by Directors.

For the year ended 31 December 2024, 4 board meetings and 1 general meeting (i.e. the 2023 annual general meeting) were held and the attendance of the individual Directors at these meetings is set out in the table below:

	Attended/Eligible to attend	
Directors	**Board Meeting**	**General Meeting**
Mr. Li Xinzhou	4/4	1/1
Mr. Yang Yuewen	4/4	0/1
Mr. Zhang Quan	4/4	1/1
Mr. Zhang Hong	4/4	0/1
Ms. Hu Mingfei	4/4	0/1
Mr. Lai Chanshu	4/4	0/1
Mr. Wong Chi Hung, Stanley[(1)]	1/4	0/1
Mr. Zhang Changhai[(2)]	3/4	0/1

Notes:

1. Mr. Wong Chi Hung, Stanley has resigned as an independent non-executive Director with effect from 26 March 2024.

2. Mr. Zhang Changhai has been appointed as an independent non-executive Director with effect from 26 March 2024.

During the year, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of the other executive Directors and non-executive Directors.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made of all the Directors and each of the Directors has confirmed that he or she has complied with the Model Code for the year ended 31 December 2024. Moreover, the Company has formulated relevant policies (which were no less exacting than the Model Code) for relevant employees in respect of their dealings in the Company's securities.

Delegation by the Board

The Board reserves the right to decide all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of Directors and has delegated the following corporate governance duties to the Nomination Committee:

a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendations to the Board;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices in respect of compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

f) to develop, review and monitor the implementation of the Shareholders' communication policy to ensure its effectiveness, and make recommendations to the Board when appropriate to enhance Shareholders' relationship with the Company.

For the year ended 31 December 2024, the Company has updated the compliance manuals on notifiable transactions and inside information in accordance with the Listing Rules as guidelines for its employees to report unpublished inside information to the Company in order to ensure consistent and timely disclosure and fulfilment of the Company's continuous disclosure obligations.

BOARD COMMITTEES

Nomination Committee

For the year ended 31 December 2024, the Nomination Committee comprises three members, namely Mr. Li Xinzhou (executive Director), Mr. Lai Chanshu (independent non-executive Director) and Mr. Zhang Hong (independent non-executive Director), and as such, the majority of Nomination Committee members are independent non-executive Directors. Mr. Li Xinzhou serves as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and make recommendations regarding any proposed changes;
- To identify suitable candidates for appointment as Directors;
- To make recommendations to the Board on appointment or re-appointment of and succession planning for Directors; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. Their written terms of reference are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, 1 meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Li Xinzhou	1/1
Mr. Zhang Hong	1/1
Mr. Lai Chanshu	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors and discussed the appointment of the new executive Director during the year.

Pursuant to Rule 13.92 of the Listing Rules, the Board has adopted a board diversity policy (the "**Board Diversity Policy**") which is summarised below:

The Company has implemented and annually reviewed the Board Diversity Policy according to the CG Code contained in Appendix C1 of the Listing Rules. This policy aims to set out the approach to achieve diversity in the Board.

The Company sees increasing diversity at Board level as essential to supporting attainment of its strategic objectives and to achieve sustainable and balanced development. In designing the Board's composition, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of board diversity. The Board should have a balance of skills and experience and a diversity of perspectives appropriate to the requirements of the Company's business.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance and strives to have at least one member who can bring diversities to the Board in terms of gender, education, professional experience, etc.

At present, the Board is basically diversified in terms of gender, educational background and professional experience. Mr. Lai Chanshu (who has extensive experience in the pharmaceutical industry) has been appointed as a Director, which has enhanced the diversity of the Board in terms of professional experience, educational background, skills and knowledge. Ms. Hu Mingfei was appointed as a non-executive Director, bringing the percentage of female Directors on the Board to 14%. The Company wants to maintain at least the current level of female membership to ensure gender diversity on the Board. In the field of Director succession, the Board and the Nomination Committee will engage independent professional recruitment agencies to assist in identifying potential female Directors when necessary. In the future, the Board will continue to increase the proportion of female Directors if there is a suitable candidate.

The Company is committed to promoting gender diversity across the whole workforce. As at the date of this report, the number of female employees in the Company accounted for approximately 49% of the total number of employees. The Board believes that the Company currently has achieved gender diversity of the employees. Opportunities for employment, training and career development are equally open to all qualified employees.

The Nomination Committee's Policy on Nominating Directors

Nomination Criteria

When considering a candidate nominated for directorship or a director's proposed re-appointment, the Nomination Committee will have regard to the following factors:

(1) Age, skills, experience, professional and educational qualifications, background and other personal qualities of the candidate;

(2) Effect on the board's composition and diversity;

(3) Potential/actual conflicts of interest that may arise if the candidate is selected and independence of the candidate;

(4) Commitment of the candidate to devote sufficient time to effectively carry out his/her duties;

(5) In the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served; and

(6) Other factors considered to be relevant by the Nomination Committee on a case by case basis.

Nomination Procedures

(1) The Nomination Committee shall consider suitability of an individual pursuant to the Listing Rules, the Board Nomination Policy and Board Diversity Policy, and assess the independence of an individual for the position of independent non-executive director;

(2) The Nomination Committee shall make recommendations to the Board's for consideration;

(3) The Board shall consider the individual recommended by the Nomination Committee pursuant to the Listing Rules (including the corporate governance code as Appendix C1 to the Listing Rules), the Board Nomination Policy and Board Diversity Policy;

(4) For casual vacancy and addition of new directors, the Board shall confirm the appointment of the individual and the new director shall be subject to re-election by shareholders of the Company at the next annual general meeting in accordance with the Articles of Association;

(5) For re-appointment of retiring directors, the Board shall, based on the recommendation of Nomination Committee, recommend the retiring directors to stand for re-election at the annual general meeting. The appointment of retiring directors shall be subject to the approval of shareholders at the annual general meeting; and

(6) The Board reserves the right to final decision on the matters in relation to the selection and appointment of directors.

Remuneration Committee

For the year ended 31 December 2024, the Remuneration Committee comprises three members, namely Ms. Hu Mingfei (non-executive Director), Mr. Lai Chanshu (independent non-executive Director) and Mr. Zhang Hong (independent non-executive Director). And as such, the majority of Remuneration Committee's members are independent non-executive Directors. Mr. Zhang Hong serves as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policies and structure for all the Directors' and senior management's remuneration; reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and making recommendations to the Board on the specific remuneration packages of all executive Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for formulating such remuneration policies and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee's written terms of reference are available on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2024, 1 meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Zhang Hong	1/1
Mr. Lai Chanshu	1/1
Ms. Hu Mingfei	1/1

The Remuneration Committee discussed and reviewed the service agreements, appointment letters and remuneration policy for Directors and senior management of the Company, assessing performance of executive Directors and senior management and making recommendations to the Board on the remuneration packages of individual executive Directors, senior management and the newly appointed independent non-executive Director during the year.

Details of the remuneration by band of the 7 members of the senior management of the Company, whose biographies are set out on pages 26 to 28 of this annual report, for the year ended 31 December 2024, are set out below:

Remuneration band (RMB'000)	Number of individual
Less than 400	4
400 to 1,000	3

Audit Committee

For the year ended 31 December 2024, the Audit Committee comprises three members, namely Mr. Zhang Changhai (independent non-executive Director), Ms. Hu Mingfei (non-executive Director) and Mr. Zhang Hong (independent non-executive Director), and as such, the majority of Audit Committee members are independent non-executive Directors. Mr. Zhang Changhai serves as the chairman of the Audit Committee.

The principal duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the internal audit division or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor; and

- To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2024, 3 meetings of the Audit Committee were held and the attendance record of the Audit Committee members is set out in the table below:

Directors	Attended/ Eligible to attend
Mr. Wong Chi Hung, Stanley[(1)]	1/3
Mr. Zhang Changhai[(2)]	2/3
Mr. Zhang Hong	3/3
Ms. Hu Mingfei	3/3

The Audit Committee reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function) and processes, and the re-appointment of the external auditor during the year. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The Audit Committee also reviewed the interim and final results of the Company and its subsidiaries for the interim period and the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements by the Company for employees, in confidence, to raise concerns about possible improprieties in financial reporting, risk management and internal control systems and other matters. The Audit Committee's written terms of reference are available on the websites of the Company and the Stock Exchange.

Notes:

1. Mr. Wong Chi Hung, Stanley has resigned as an independent non-executive Director with effect from 26 March 2024.

2. Mr. Zhang Changhai has been appointed as an independent non-executive Director with effect from 26 March 2024.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for the year ended 31 December 2024 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanations and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, position and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 88 to 91 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board understands that it is the responsibility of the Board to assess and determine the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, and to ensure that the Group establishes and maintains an appropriate and effective risk management and internal control systems. The Board shall also supervise the design, implementation and monitoring of the risk management and internal control systems by the management, and the management shall provide the Board with confirmation of the effectiveness of the systems.

The Board is responsible for the risk management and internal control systems, and in March of each year conducts a review of the effectiveness of the risk management and internal control systems during the previous year. The Board continues to review the effectiveness of the risk management and internal control systems through the Audit Committee, including monitoring procedures for finance, operations, compliance, risk identification and assessment, and implementation of risk response measures. The audit procedures include:

(i) the internal audit department of the Group assessing the relevant systems;

(ii) operational management personnel ensuring the maintenance of an effective risk management and internal control systems; and

(iii) external auditors pointing out internal control problems when carrying out statutory audits.

The Audit Committee, with the support of the internal audit department of the Group, is responsible for reviewing the adequacy of resources, staff qualifications, experience, training and related training budgets for the accounting, financial reporting, financial analysis, internal audit functions as well as those relating to the Company's environmental, social and governance performance and reporting. The Audit Committee has ensured the adequacy of the above areas during the annual review.

The Board's annual review considers:

(a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;

(b) the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of its internal audit function and other assurance providers;

(c) the extent and frequency of communication of monitoring results to the Board;

(d) significant control failings or weaknesses that have happened or been identified during the period and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and

(e) the effectiveness of the Company's processes for financial reporting and Listing Rule compliance.

The Group's procedures for identifying, assessing and managing significant risks consist of six parts: "Objectives understanding", "Event identification", "Risk assessment", "Risk response", "Risk monitoring" and "Risk reporting". Specifically, they include:

(a) understanding the future development vision and development objectives of the Group in order to determine the relevant issues affecting the achievement of its objectives;

(b) recognising the matters affecting the achievement of the Group's objectives, and identifying the major risk items related to the Group's business activities;

(c) evaluating the main risk events according to the vulnerability of risk occurrence and the impacts on the Group's objectives after risk occurrence, and sequencing the risks so as to enable the Group to rationally allocate resources to respond to risks or improve response measures, to reduce the Company's overall risk level to an acceptable range;

(d) formulating and implementing risk response programs;

(e) identifying the risks that the Company may or will face in the course of its business activities, and issuing warning signals to the management of the Company in a timely manner so as to enable the management of the Company to regulate and control operations in a timely manner; and

(f) after the risk assessment, the risk management working group of the Group (the "**Risk Management Working Group**") shall prepare a risk database and a risk assessment report. The risk assessment report shall be submitted to the Audit Committee by the Risk Management Working Group, and examined and approved by the Board.

Key features of the Group's risk management and internal control systems include:

(a) setting core values and beliefs which form the basis of the Group's overall risk philosophy and appetite;

(b) defining a management structure with clear lines of responsibility and authority limits which hold individuals accountable for their risk management and internal control responsibilities;

(c) imposing an organisational structure which provides necessary information flow for risk analysis and management decision-making;

(d) imposing budgetary and management accounting controls to efficiently allocate resources and providing timely financial and operational performance indicators to manage business activities and risks;

(e) ensuring effective financial reporting controls to record complete, accurate and timely accounting and management information; and

(f) assuring through the Audit Committee that appropriate risk management and internal control procedures are in place and functioning effectively.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness to protect the interests of Shareholders and other stakeholders. These systems are designed to:

(a) identify, assess, quantify, and respond to and manage all current and future significant risks so as to maintain them within the risk level acceptable to the management of the Group;

(b) provide a continuous and effective monitoring and reporting mechanism for all significant risks;

(c) provide reasonable assurance that the Group complies with relevant laws, regulations and rules; and

(d) provide reasonable assurance for the implementation of significant measures taken to achieve the Group's objectives.

Such risk management and internal control systems are designed to mitigate or manage the Group's risks to an acceptable level rather than eliminate the risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

In order to resolve material internal control defects, the audit team adopts inspection, sampling, inquiry, stock taking, calculation, analytical review and other audit methods, to obtain adequate, relevant and reliable audit evidence in the implementation of audit. The audit team will promptly report to the Chief Executive Officer if it finds material internal control defects in audit processes. The person in charge of the internal audit office shall report to the Chief Executive Officer and the Audit Committee after reviewing a special audit report. The internal audit function shall conduct follow-up audits in respect of important matters according to the actual situation of the Company, and check and supervise any corrective measures taken by the audited entity and their effect on any problems discovered in the audit process.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Group:

(a) is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the “safe harbours” with the SFO;

(b) conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” and “Recent Economic Developments and the Disclosure Obligations of Listed Issuers” issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in October 2008 respectively; and

(c) has established and implemented procedures for responding to external enquiries about the Group’s affairs. Senior managers of the Group are identified and authorized to act as the Company’s spokespersons and respond to enquiries in designated areas.

The Company has established internal audit functions, including the Audit Committee (supervisory organisation) and the internal audit department (risk supervisor). The Audit Committee is responsible for monitoring the implementation of the Company’s risk management and reporting the results to the Board in a timely fashion. The Internal Audit Department, which is independent of the other participants in Enterprise Risk Management (ERM), is responsible for coordinating the operation of the ERM mechanism, independently reviewing the mechanism, and reporting to the Audit Committee continuously.

The Board has completed a review of the Group’s internal control and risk management systems. The Board is of the view that the risk management and internal control systems of the Group during the Reporting Period are valid and sufficient, and the Group has complied with the relevant code provisions of the CG Code relating to risk management and internal controls.

AUDITOR’S REMUNERATION

During the Reporting Period, the external auditor of the Group charged HKD2.1 million approximately for audit services and HKD0.40 million for non-audit services. The audit services provided were the annual audit of the Group for the year ended 31 December 2024. The non-audit services provided were performing agreed-upon procedures for the interim financial report in 2024.

COMPANY SECRETARY

The company secretary is Ms. Ng Ka Man who is a senior manager of the Listing Services Department of TMF Hong Kong Limited (a global corporate service provider). The primary corporate contact person at the Company is Mr. Wendong Shi, securities service representative of the Company. For the year ended 31 December 2024, Ms. Ng has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. The company secretary regularly reports to the Chairman of the Board.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable Shareholders and investors to make informed investment decisions.

The AGM provides an opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees will attend the AGMs to answer Shareholders' questions. The external auditor of the Company will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The 2024 AGM will be held on Friday, 30 May 2025. The AGM notice will be published and sent to the Shareholders (if required) as soon as possible.

To promote effective communication, the Company updates its latest business development and financial performance to its Shareholders through its annual and interim reports as well as notices, announcements and circulars. Meanwhile, the Board has also formulated a written policy for Shareholders' communication. Aiming at establishing a two-way relationship and communication channel between the Company and its Shareholders, the Company maintains a website at www.pioneer-pharma.com, which has provided a communication platform for the public and Shareholders, and where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

The Company, through the Nomination Committee, has completed a review of its Shareholders' communication policy for the year. The Company considers that investors may make enquiries by writing to the Company or email. The Board is satisfied that Shareholders' communication policy has been properly implemented and effective during the year ended 31 December 2024 after taking into consideration of the multiple established communication channels.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at Shareholder meetings, including the election of individual Directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholder meeting.

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 half-year results and following the announcement of the annual results respectively. Dividends will be declared and paid in Hong Kong dollars.

According to the Dividend Policy, the Board shall consider the following factors before declaring or recommending dividends:

(1) the Company's actual and expected financial performance;

(2) retained earnings and distributable reserves of the Company and each of the members of the Group;

(3) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(4) the Group's liquidity position;

(5) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and

(6) other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the Articles of Association. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting according to the Companies Ordinance and the Articles of Association. As regards proposing a person for election as a Director, the procedures are available on the websites of the Company and the Stock Exchange. A general meeting shall also be convened on the written requisition of any two or more Shareholders of the Company. Such written requisition shall specify in detail the purpose for which the meeting is to be held and shall be signed by the applicant. Such applicant shall hold not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company at the date of deposit of the written requisition.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the principal place of business for the Company at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong (email address: ir@pioneer-pharma.com).

CONSTITUTIONAL DOCUMENTS

There is no change in the memorandum and articles of association of the Company for the year ended 31 December 2024.

Environmental, Social and Governance Report

1 ABOUT THIS REPORT

This report is the 2024 Environmental, Social, and Governance Report (the "**ESG Report**") of Shanghai Pioneer Holding Ltd. It focuses on the disclosure of our Company's sustainable development philosophy, practices and key performance to our stakeholders. The ESG Report was reviewed and approved by the Company's Board on 28 March 2025.

Report Scope

The Board has determined the following scope of the ESG Report for the year by considering the preparation principles of the report, the Company's main business and significant business:

Organizational Scope: This report covers Shanghai Pioneer Holding and its subsidiaries, including the Company's business of selling pharmaceutical products, medical devices, and environmental protection business in China.

Time Scope: This report is an annual report, covering relevant data from January 1, 2024 to December 31, 2024, with some content and data appropriately traced back or extended to other years for better clarity and comparability.

Basis of Report Preparation

This report is prepared in accordance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") in Appendix C2 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Reporting Principles

Materiality: We identified ESG issues closely related to the Company's operations and issues of significant concern to our key stakeholder groups, and focused this report on the disclosure of the management and performance regarding these identified material issues.

Quantitative: This ESG report discloses key quantitative performance indicators on environmental and social dimensions, with historical data for certain indicators also provided to ensure better comparability. This reports also provides necessary explanations on the calculation methodologies, scope and variation, the rationales behind, and the impact of some of the quantitative data disclosed.

Consistency: This ESG report applies consistent statistical methodologies regarding indicators that also disclosed in the Environmental, Social, and Governance Report integrated in our 2023 Annual Report, while statistical methodologies for newly added indicators in this ESG report are properly explained.

Balance: This ESG report follows the principle of balance and provides unbiased disclosure of both positive and negative information about the Company's ESG governance and performance, aiming to provide an objective disclosure and its ESG management and practices.

The ESG Report has complied with all "comply or explain" provisions set out in the ESG Guide and has included explanations for provisions that are not applicable to the Company.

Language and Currency

This report is released in both Chinese and English versions. In case of any discrepancy between the two versions, the Chinese version shall prevail. Unless specifically stated, all monetary amounts disclosed in this report are in RMB.

Report Access

Both Chinese and English versions of this report can be accessed and downloaded from the official website of Shanghai Pioneer Holding Ltd. at http://www.pioneer-pharma.com. If you have any questions or suggestions regarding this report, please contact us through the following channels:

Mail: No. 15, Lane 88, Wuwei Road, Putuo District, Shanghai
Email: info@pioneer-pharma.com

2 ESG GOVERNANCE

2.1 Board's Statement on ESG Governance

The Company strictly adheres to the requirements of the ESG Guide of the Stock Exchange of Hong Kong Limited. We have established a robust ESG governance system, which we continuously optimize. We keep strengthening the role of the Board of Directors in supervising and participation in ESG related issues, vigorously integrate ESG considerations into the Company's business strategy, steadily deepen the management of ESG-related risks and opportunities, and strive to continuously improve our environmental and social performance, so as to formulate a long-term mechanism for the Company's sustainable development.

The Board of Directors is the highest responsibility and decision-making agency, bearing the ultimate responsibility for the Company's ESG governance, including guiding the formulation of the Company's ESG management policies and strategies, reviewing and confirming the material ESG issues identified and prioritized, setting ESG performance goals and reviewing their progress regularly, and supervising the implementation of important ESG practices. The Board of Directors also supervises and approves the Company's ESG information disclosure, including the annual ESG report of the Company.

The senior management of the Company are responsible for identifying and prioritizing its material ESG issues, assessing and determining ESG related risks; formulating ESG management policies and strategies, organizing and coordinating relevant departments to formulate ESG management policies, set ESG targets, and establish ESG risk management and internal control mechanisms; coordinating the preparation of the ESG Report and other related information disclosure; regularly reporting to the Board of Directors on ESG related risks, opportunities, and their impacts, the progress of key ESG initiatives, as well as recommendations on ESG risk response.

The ESG working team, composed of personnel from various business departments, is responsible for the specific implementation of the Company's ESG initiatives, including implementing ESG management policies and targets approved by senior management, tracking and regularly reporting on ESG performance progress to senior management, providing feedback and improvement suggestions on ESG-related work to senior management, and collaborating to support the preparation of the Company's annual ESG report and other related information disclosure.

2.2 Stakeholder Communication

The Company attaches great importance to maintaining smooth communication with stakeholders such as governments and regulators, shareholders and investors, industrial associations, employees, customers, partners and suppliers, and society and communities. The Company has established a variety of open and effective communication channels to better understand the expectations and demands of the stakeholders for the Company, and has used them as important references in formulating and implementing its ESG strategies and the assessment of material ESG issues.

Stakeholders	Topics of Concern	Communication Channels	Communication Frequency
Governments and regulators	Compliance operation; Anti-corruption and business ethics; Product quality and safety; Tax compliance	Compliance inspections; Work report; Meetings and communications	Multiple times per year
Shareholders and investors	Return on investment; Corporate governance; Compliance and risk management; Information disclosure	Annual reports, announcements, and circulars; Shareholders' meetings; Investor meetings	Multiple times per year
Industrial associations	Positive social influence; High quality products and services; Exchange and cooperation	Face-to-face communications; Industry forums; Academic conferences	Multiple times per year
Employees	Protection of employees' rights; Career development and training; Healthy and safe working environment	Employee satisfaction surveys; Regular meetings and trainings; Employee care activities; Enterprise WeChat	Multiple times per month

Stakeholders	Topics of Concern	Communication Channels	Communication Frequency
Customers	Product quality and safety; Customer service quality; Compliance promotion; Responsible marketing	Regular communications; Satisfaction surveys; Compliant channels; Social media; Regular visits	Multiple times per week
Partners and suppliers	Compliance promotion; Responsible marketing; Product quality and safety; Win-win cooperation; Anti-corruption and business ethics; Supply chain management	Business visits; Regular meetings; Academic conferences; Supplier evaluations; Supplier trainings	Multiple times per week
Society and communities	Community engagement; Business compliance; Environmental awareness; Public health education	Company's official website; Activities for public good; Social science and education publicity; Employees' participation in volunteer activities; Media platforms	Multiple times per year

2.3 Materiality Analysis

In 2024, the Company continued to conduct the identification and assessment of the materiality of key ESG issues. The ESG Report focuses on the targeted disclosure of the identified material issues to ensure the quality and relevant of information disclosure. Building on the basis of the materiality analysis for the 2023 ESG report, we had further refined the granularity of material ESG issues in 2024 and identified a total of 17 material ESG issues.

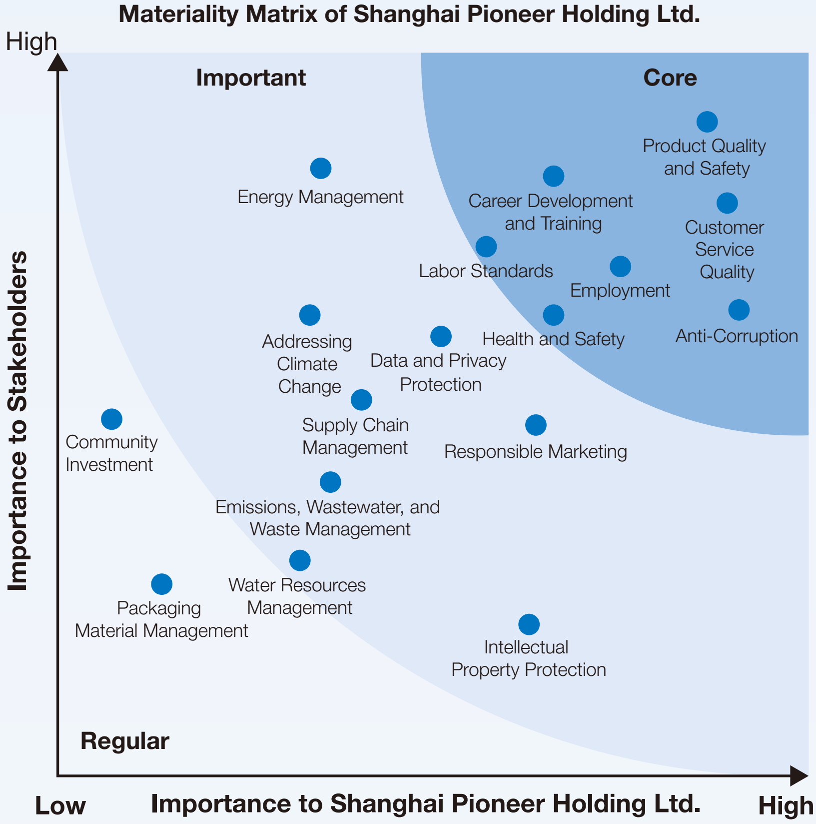
We conduct a materiality assessment during the reporting process through the following steps:

Step 1 Identifying ESG issues: Based on the characteristics of our operations and businesses, and in accordance with the requirements of the ESG Guide of the Stock Exchange of Hong Kong Limited, the Company benchmarked industry best practices on the disclosure of material issues and identified 17 material ESG issues. All these issues are either highly relevant to our operations or have a significant impact on our stakeholders.

Step 2 Assessing the materiality: We invited representatives of both internal and external stakeholders to assess the importance of each issue from their own perspectives, forming a two-dimensional assessment matrix based on the importance to Shanghai Pioneer Holding Ltd. and the importance to stakeholders.

Step 3 Issue Prioritization: The senior management and the ESG working team reviewed the materiality matrix and reported it to the Board of Directors for deliberation and final approval.

Materiality Matrix of Shanghai Pioneer Holding Ltd.



3 ENVIRONMENTAL[1]

3.1 Environmental Management

The Company strictly complies with the requirements of the Environmental Protection Law of the People's Republic of China and other relevant national laws and regulations, continuously strengthens the management of the environmental impact of its operations, and is committed to taking effective measures to achieve efficient use of resources and energy conservation and emission reduction. During the reporting period, the Company had no incident of violations of environmental protection laws and regulations.

As the Rongchang Production Base in Chongqing and the ECD Production Line started operating, the Company's business scope has been expanded to include the manufacturing of medical devices and ECD equipment other than its traditional businesses of the marketing, promotion, and sales of pharmaceutical products and medical devices. As a result, the Company's consumption of energy, water, and packaging materials has increased accordingly. The production process of the Company mainly generates wastewater and non-hazardous and hazardous waste, but no atmospheric emissions. The atmospheric emission data disclosed in this report includes the emissions generated by fuel-powered vehicles owned by the Company.

The Company has established a top-down environmental management framework and system that covers all production processes. The General Manager of the Chongqing Production Base and CEO of the Company's environmental protection segment are the primary leads of environmental protection of the two operations respectively. All of the Company's production projects have obtained the environmental impact assessment reports and operated in strict compliance with the approved environmental impact assessment documents as well as other applicable national and local environmental protection requirements.

At the operational level, the Company strive to ensure resource conservation and has formulated the Green Office Management Policy to specify various resource conservation measures, including electricity and water conservation, waste reduction, recycling and reuse of office supplies, working environment improvement, business vehicle energy conservation, and green procurement. During the reporting period, the Company regularly held themed meetings on energy conservation and emission reduction to ensure the implementation of the Green Office Management Policy.

The Company also focused on the theme of "My Action in Energy Conservation and Emission Reduction" and carried out publicity and education for all employees, emphasizing the importance and necessity of energy conservation and consumption reduction and the interpretation of relevant government and company policies. Employees are encouraged to actively put the concept of low-carbon and environmental protection in practice during daily operations.

[1] Unless otherwise specified, the quantitative data disclosed in this chapter comes from the Company's operation sites in Shanghai, Haikou, Chongqing, Xiantao, Changsha, Yueyang, Hangzhou, and Dalian. Compared to 2022, new data related to ECD operations have been included.

3.2 Resource Use and Management

The Company vigorously practices resource conservation focusing on the overall goal of "improving energy and water efficiency", and has formulated various management policies, such as the Water and Electricity Management Policy, to ensure the continuous improvement of resource utilization efficiency throughout the main operational processes of the Company.

3.2.1 *Energy Management*

The direct energy use of the Company mainly includes natural gas, gasoline, diesel, and liquefied petroleum gas, while the indirect energy use mainly includes purchased electricity, which constitute the sources of direct and indirect greenhouse gas emissions respectively. In 2024, the Company further strengthened the management of electricity use, and initiated efforts to reduce the fuel consumption of business vehicles. The Chongqing Production Base reached its target of a 3% reduction in annual energy consumption through a series of energy conservation measures of its lighting and electrical system, as well as equipment upgrades.

Energy-saving and carbon reduction measures in office operations

Electrical equipment	• Promote awareness among employees and encourage them to take active daily actions, such as turning off electrical equipment not in use. • Set the office air conditioning temperature to 26 degrees Celsius to conserve energy while maintaining a comfortable working environment. • Maximize the use of natural lighting in sunny days. • Incorporate energy efficiency into the procurement criteria for new electrical appliances.
Business vehicles	• Choose vehicle models that meet national energy efficiency standards, promote the use of new energy vehicles, and improve the overall vehicle energy efficiency. • Optimize route planning to avoid frequent starting, accelerating, and braking, reducing traffic congestion and waiting time. • Optimize vehicle maintenance procedures, ensuring vehicles in optimal working condition with regularly maintenance and inspections. • Utilize mobile devices and data analysis technology to timely monitor and manage vehicle fuel consumption.

Energy Consumption Performance of the Company

KPIs	Unit	2024
Gasoline	liters	**5,839**
Diesel	liters	**118**
Natural gas	cubic meters	**123,254**
Liquefied petroleum gas	liters	**1,200**
Purchased electricity	kilowatt-hours	**3,125,058**
Total consumption of direct energy	megawatt-hours	**1,456.66**
Total consumption of indirect energy	megawatt-hours	**3,041.60**
Total energy consumption	megawatt-hours	**4,498.26**
Energy consumption intensity[1]	megawatt-hours per million yuan of revenue	**2.96**

1. With the development of the Company's production business, the unit of energy consumption intensity has been changed to "megawatt-hours per million yuan of revenue" to reflect intensity performance more accurately.

3.2.2 *Water Resources Management*

The Company uses municipal water at both its offices and production facilities. All operation sites of the Company face no water sacristy, so there is no risk of insufficient water supply. Regarding water use in its production operations, the Company strictly carries out water use planning to ensure water resources are supplied as needed, and arranges for dedicated personnel in charge of the inspection for possible water leakage or wastage on a daily basis. Water consumption in Chongqing Production Base has been reduced by 2% year-on-year in 2024. Regarding water use in its office operations, the Company has installed water-saving devices, such as automatic sensor faucets and dual-flush toilets in restrooms, and carries out regular inspections and maintenance of water equipment to prevent water wastage. Water-saving posters are also posted in office areas such as pantries and restrooms to promote water conservation awareness among employees. In the future, the Company will strengthen the secondary collection, filtration and reuse of water resources to continuously reduce water consumption.

Water Use Performance of the Company

KPIs	Unit	2022	2023	2024
Total water consumption[1]	tons	4,584.38	24,453.54	**24,942.61**
Water consumption intensity[2]	tons per million yuan of revenue	/	15.61	**15.92**

1. The related data of the ECD Production Line has been newly included in data statistics in 2023, and the ECD business has realized mass production in 2023, which resulted in a significant increase in water consumption.

2. With the development of the Company's production business, the unit of water consumption intensity has been changed to "tons per million yuan of revenue" to reflect intensity performance more accurately.

3.2.3 Packaging Material Management

The Company mainly uses cardboard boxes, plastics, glass bottles, wooden pallets, etc. as packaging materials in its operations. The Company focuses on optimizing packaging equipment performance to reduce packaging rejection rate, and thus reduce the waste of packaging materials. The Company also recycles bulk packaging and reuses it for other non-essential suppliers to improve the reuse rate of packaging.

Packaging Material Usage of the Company[1]

KPIs	Unit	2022	2023	2024
Total amount of packaging materials used	tons	95.23	95.43	**95.87**
Among them,				
Paper packaging	tons	/	5	**5**
Plastic packaging	tons	/	3	**1**
Other types of packaging (glass bottles, wooden pallets and etc.)	tons	/	87.43	**87.58**

1. The Company's packaging materials are mainly used for pharmaceutical products and medical devices. Therefore, KPI A2.5 (unit usage of packaging materials for finished products) is not applicable to the current situation of the Company.

3.3 Emissions, Wastewater, and Waste Management

The Company strictly complies with the Environmental Protection Law of the People's Republic of China, the Solid Waste Pollution Prevention and Control Law of the People's Republic of China, as well as other applicable laws and regulations to manage the emissions, wastewater, and waste generated in operations, striving to minimizing their generation from the sources.

Emissions: The production process of the Company does not generate significant emissions. Therefore, emissions data disclosed in this report is mainly from the emissions of business vehicles owned by the Company. Since no significant emissions is generated, the Company has not yet set specific management targets accordingly. However, the Company has incorporated a number of relevant measures into its green office initiatives, including the procurement of new energy vehicles, optimization of route planning, and monitoring of vehicle fuel economy data, which are expected to contribute to the effective reduction of emissions in the future.

Wastewater: The Company has set the environmental goal of "vigorously controlling the amount of wastewater generated within a reasonable level". As the Company's new production lines put into use, the amount of wastewater discharge also increased accordingly. Wastewater discharge mainly comes from the production process at the Chongqing Production Base. Through regular testing of water quality, implementation of centralized wastewater collection and treatment and enhancement of energy consumption control, the Base has achieved a 3% year-on-year reduction in wastewater discharge in 2024. The electrolyte used in ECD equipment manufacturing production line is recycled and reused. To address the occasional leakage of electrolyte, the Company has installed leak-proof devices in workshops to collect and recycle the leaked electrolyte for reuse. Therefore, the manufacturing process of ECD equipment does not generate wastewater discharges.

Waste: The Company has set the environmental goal of "vigorously controlling the amount of waste generated within a reasonable level". The hazardous waste generated by the Company mainly includes waste acid, waste alkali, and waste liquid from the production process, while non-hazardous waste mainly includes waste paper from office operations, used packaging materials and steel slag from the production process, and domestic sewage. The Company strictly manages the storage of hazardous waste in accordance with the requirements of the Standard for Pollution Control on Hazardous Waste Storage, and contracts qualified third-parties for the disposal of hazardous waste at regular intervals. Non-hazardous waste is categorized in different storages for centralized disposal by qualified recycling partners, or collected by municipal sanitation services. In addition, the Company strives to minimize the generation of waste from the source by actively implementing waste classification, waste reduction, and the recycle and reuse of waste, following the waste management principles of "Reduce, Reuse, and Recycle".

Waste reduction measures of the Company:

- Avoid using single-use items, such as replacing paper cups and plastic tableware with glasses and metal tableware.
- Use OA system to promote paperless office, effectively reducing paper use with electronic document sharing and processing systems.
- Use double-sided printing and copying to reduce paper use.
- Post reminders and posters in offices to remind employees to reduce paper use.

Emissions, Wastewater, and Waste Data of the Company

KPIs	Unit	2024
Nitrogen oxides (NO_x)[1]	grams	**38,684.23**
Sulfur oxides (SO_x)[1]	grams	**118.20**
Particulate matter (PM)[1]	grams	**2,077.10**
Wastewater discharge	tons	**1,622.36**
Amount of hazardous waste generated	tons	**0.47**
Amount of hazardous waste disposed of	tons	**0.47**
Among them, disposed of by qualified third-parties	tons	**0.47**
Amount of non-hazardous waste generated	tons	**228.23**
Amount of non-hazardous waste disposed of	tons	**228.23**
Among them, amount of non-hazardous waste recycled/reused	tons	**228.03**
collected by municipal sanitation services	tons	**0.2**
Hazardous waste emission intensity[2]	tons per million yuan of revenue	**0.0003**
Non-hazardous waste emission intensity[2]	tons per million yuan of revenue	**0.15**

1. The emissions of nitrogen oxides, sulfur oxides, and particulate matter come from the exhaust emissions of the Company's business vehicles, mainly from gasoline combustion. Therefore, data is calculated using the emission factors for gasoline referenced in How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs of the Stock Exchange of Hong Kong Limited.

2. With the development of the Company's production business, the unit of waste intensity has been changed to "tons per million yuan of revenue" to reflect intensity performance more accurately.

3.4 Addressing Climate Change

With the increasingly occurrences of extreme weathers in recent years, addressing climate change has become a global focus. In 2020, the Chinese government specifically put forward the 2030 "carbon peaking" and 2060 "carbon neutrality" goals. China has basically completed the construction of the "1+N" policy system for reaching the carbon peaking and carbon neutrality goals, providing guidance for various industries to achieve decarbonization.

The Company pays close attention to the impact of domestic and international energy and carbon-related policies, laws and regulations on the pharmaceutical industry and the Company's business operations, and has formulated the Water and Electricity Management Policy and the Green Office Management Policy accordingly. The Board of Directors of the Company is the highest governance body for addressing climate-related issues. The Company has incorporated the management of its energy consumption and carbon emissions, as well as the development of green and low-carbon products, into the list of key issues to follow for the Board of Directors, ensuring the Board of Directors can provide full guidance on climate related matters along as the Company grows. The ESG working team is responsible for identifying climate-related risks and opportunities, timely formulating risk response measures, and regularly reporting this information to senior management and the Board of Directors.

During the reporting period, the Company identified and analyzed climate risks and opportunities in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). Overall, the Company only faces limited and controllable exposure to climate risks currently. However, the Company may face greater risk exposure in the future with possible adjustment of the business model adjusts and the scale-up of production capacity. Therefore, we will closely follow climate-related risks and incorporate relevant considerations for climate change into the process of formulating or adjusting our development strategy and operational focus, and take proactive measures to effectively address climate change.

Analysis of Climate Change Risks

Climate Risks	Risk Description	Response Measures
Acute physical risks	Due to the production, logistics, and warehousing operations in our business activities, the Company is exposed to the physical risks of extreme weather conditions. Frequent occurrences of high temperatures, typhoons, rain storms, etc., may cause damage to production facilities, logistics interruptions, and damage to product inventories, resulting in higher operating costs. Working in high temperatures may have adverse effects on the health and safety of employees.	Carry out regular inspections and maintenance on production facilities, and increase the disaster preparedness of warehousing facilities, such as building higher foundations and standby power systems, to minimize the impact of extreme weather incidents on business continuity. Develop the Emergency Plan for Product Storage and Logistics, which specifies the transportation methods, product protection measures, emergency measures, etc. in the event of extreme weather conditions, effectively ensuring the health and safety of logistics personnel as well as the security of products. In the event of extreme weather conditions such as high temperatures, timely adjust the working conditions and working hours to protect the health and safety of employees.

Climate Risks	Risk Description	Response Measures
Chronic physical risks	Rising sea levels are one of the most significant long-term risks brought about by global warming. The Company's operational sites and facilities located in coastal areas face higher physical risks, which may lead to increased operating costs. With the continued increase in global average temperatures, the Company's logistics and storage of pharmaceutical products may also require more electricity, leading to potential higher energy costs.	Give greater consideration for chronic physical risk factors when planning future operational site layout, and make timely adjustments to existing operational sites. Closely follow the development of green electricity and new energy vehicles, and strive to minimize energy costs with comprehensive measures in warehouse layout, route planning, and transportation models, etc.
Policy and legal risks	As the Company steps into the production of medical devices and ECD equipment, the importance of energy and carbon management to the Company also increases gradually. However, due to the limited scale of production operations, the Company is currently not subject to mandatory constraints from relevant policies and laws. In the future, if policies continue to tighten and its production scale continues to grow, the Company may face increased policy and legal risks, and therefore need to invest more to meet energy-saving and consumption reduction requirements.	Closely follow policy and regulatory trends, timely incorporate the most recent requirements related to the Company's operations into the planning of business departments and production bases, and strictly avoiding violation of laws and regulations.
Market risks	The increasing focus on sustainability leads to growing market demand for green and low-carbon products. As the government continuous tightens relevant policies and standards, the Company may face tougher requirements for product carbon footprint in the future. In response to this, the Company needs to increase investment to effectively reduce the carbon emissions of its value chain.	Strengthen environmental investment, gradually deepen energy and carbon emission management, and make continuous efforts to reduce carbon emissions.

Climate Risks	Risk Description	Response Measures
Reputational risks	The attention of stakeholders, including investors, on the Company's climate actions is increasing. The Company may face negative impact on its brand image and reputation if it fails to take proactive measures with this regard.	Implement various measures to conserve energy in both production operations and daily office work, continuously strengthen the awareness of energy-saving and emission reduction among employees, and encourage the employees to practice green and low-carbon concepts in their daily life and work.

Analysis of Climate Change Opportunities

Climate Opportunities	Opportunity Description	Response Measures
Green product opportunities	The advancement of the carbon peaking and carbon neutrality strategy has created a closer connection between the upstream and downstream enterprises. The production of more products with green and low-carbon attributes may help the Company create new profit opportunities and achieve a win-win situation with better environmental impact and higher economic returns.	The ECD acid-free descaling and rust removal project of the Company is an emerging technology for reducing carbon emissions in the steel industry, which is one of the key industries targeted by the carbon peaking and carbon neutrality strategy. The Company will continue to optimize this technology and make greater positive contribution to energy conservation and carbon reduction in the steel industry.
Energy and resource efficiency opportunities	Improving energy and resource efficiency and increasing the use of clean energy can help reduce the Company's energy and resource costs in the long run.	Vigorously implement measures to reduce the consumption of electricity, gas, water, and paper, plan for greater use of new energy vehicles, explore photovoltaic power generation opportunities, and continuously optimize the effectiveness of energy conservation and emission reduction measures.

The main sources of greenhouse gas emissions for the Company are the direct emissions from natural gas, gasoline, liquefied petroleum gas and diesel, and the indirect emissions generated by purchased electricity, which account for 86%. The Company has set the goal of "vigorously controlling the amount of greenhouse gas emissions within a reasonable level", and planned to set emission reduction targets based on the expansion of production scale in the future.

Greenhouse Gas Emissions of the Company

KPIs	Unit	2024
Direct greenhouse gas emissions[1]	metric tons of carbon dioxide equivalent	284.11
Indirect greenhouse gas emissions[2]	metric tons of carbon dioxide equivalent	1,740.04
Total greenhouse gas emissions	metric tons of carbon dioxide equivalent	2,024.15
Greenhouse gas emission intensity[3]	metric tons of carbon dioxide equivalent per million yuan of revenue	1.29

1. The direct greenhouse gas emissions from the combustion of gasoline, liquefied petroleum gas and diesel are calculated with reference to the How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs of the Stock Exchange of Hong Kong Limited; the direct greenhouse gas emissions from the combustion of natural gas are calculated with reference to the default values of fossil fuel-related parameters in Appendix I of the Guidelines of Greenhouse Gas Emissions Accounting and Reporting for Public Building and Operation Enterprises issued by the National Development and Reform Commission.

2. The indirect greenhouse gas emissions from purchased electricity are calculated with reference to the default emission factor of 0.5568 $kgCO_2/kWh$ issued by the Ministry of Ecology and Environment.

3. With the development of the Company's production business, the unit of greenhouse gas emission intensity has been changed to "metric tons of carbon dioxide equivalent per million yuan of revenue" to reflect intensity performance more accurately.

4 SOCIAL[2]

4.1 Employment

Pioneer Holdings takes integrity, foresight, professionalism, and efficiency as its corporate culture and regards employees as its most important asset. During the reporting period, the Company had no incident of violations of employment related laws and regulations.

4.1.1 Respecting and Protecting Employee Rights

The Company strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on Labor Dispute Mediation and Arbitration, and other laws and regulations. It has formulated and continuously optimizes the Employees Handbook, the Personnel Recruitment, Job Transfer, and Resignation Management Policies, and other policies and regulations to standardize the management processes regarding employee recruitment, promotion, and benefits. The Company strives to fully protect the legitimate rights and interests of employees. All formal employees of the Company are employed with a written employment contract with the Company on the basis of equality, voluntariness, and mutual agreement. The Company provides employees with various leaves in accordance with the law, including statutory holidays, statutory annual leave, sick leave, wedding leave, bereavement leave, maternity leave and parental leave, personal leave, work-related injury leave, and compensatory leave, etc., and formulates a policy on reasonable working hours in accordance with the law to ensure employees' physical and mental well-being.

The Company attracts talent through both open recruitment and internal recruitment. An internal recruitment mechanism has been set up to support employees to seek positions better fit their career development goals, providing greater growth opportunities for outstanding employees.

2 Unless otherwise specified, the quantitative data disclosed in this chapter comes from the Company's operation sites in Shanghai, Haikou, Chongqing, Xiantao, Changsha, Yueyang, Hangzhou, and Dalian as well as employees working from home.

4.1.2 *Salaries and Benefits*

The Company has established a salary and benefits system and formulated the Compensation Management Policy, and both are continuously optimized. The compensation for employees consists of two parts: fixed compensation and variable compensation. Variable compensation is determined based on the overall performance of the Company and a comprehensive evaluation of the individual annual performance evaluation of an employee. The Company conducts job evaluation based on job responsibilities, work capabilities, and knowledge and skills requirements, and benchmarks market and industry standards to determine the compensation categories and standards for employees. For employees in mainland China, the Company pays the employee's share of the Insurance and Housing Fund fully in compliance with the requirements of relevant laws and regulations.

The Company has formulated the Employees Performance Management Policy and carries out employee performance management in accordance with principles of "results-oriented, process-focused, and compliance-driven". With measures such as setting performance targets, regular performance review and coaching, performance assessment and feedback, and application of performance results, the employees are encouraged to closely align their individual goals with the overall goals of the Company and make great efforts for the goals. The Company is dedicated to working together with employees to build a dynamic talent team that strives for excellence.

The Company has also adopted a share award scheme to recognize the contribution by certain employees, and to provide them with incentives in order to retain them to continuously support the development of the Company.

4.1.3 *Equal Opportunity, Diversity, and Non-discrimination*

The Company attaches great importance to diversity, vigorously implements the principles of openness, fairness, and impartiality, strictly prohibits any forms of discrimination or giving inferior treatment to individuals based on personal characteristics such as age, gender, nationality, disability, religion, pregnancy, etc., and is committed to providing equal employment, training, and career development opportunities for all employees.

Employee Statistics of the Company

KPIs	Unit	2022	2023	2024
Total number of employees	persons	343	345	**335**
Categorized by gender				
Male employees	persons	166	176	**175**
Female employees	persons	177	169	**160**
Categorized by employment type				
Full-time employees	persons	343	345	**335**
Part-time employees	persons	0	0	**0**
Categorized by age group				
Employees aged under 30	persons	38	41	**32**
Employees aged 30-50	persons	277	273	**273**
Employees aged above 50	persons	28	31	**30**
Categorized by region				
Mainland China employees	persons	343	345	**335**

Employee Turnover Rates[1] of the Company

KPIs	Unit	2022	2023	2024
Employee turnover rate	%	15	20	**19**
Categorized by gender				
Male employees	%	19	22	**23**
Female employees	%	11	18	**20**
Categorized by employment type				
Full-time employees	%	15	20	**19**
Part-time employees	%	0	0	**0**
Categorized by age group				
Employees aged under 30	%	32	10	**12**
Employees aged 30-50	%	12	23	**26**
Employees aged above 50	%	21	6	**7**
Categorized by region				
Mainland China employees	%	15	20	**19**

1. Employee turnover rate = Number of employees who left during the reporting period/Number of employees at the end of the reporting period * 100%.

4.2 Health and Safety

The Company strictly complies with the Work Safety Law of the People's Republic of China, the Emergency Response Law of People's Republic of China, and other applicable state and local laws and regulations. The Company has established and continuously improves a robust safety management system with clearly defined responsibilities of safety management personnel at all levels, and strictly implements the production safety team responsibility system. The Company has also formulated the Employees Personal Hygiene Management Policy, the Policy on Safety Production Assessment, Accident Hazard Reporting and Whistleblowing, and Rewards and Punishments, and other policies to actively strengthen the management of health and safety risks. The Company is committed to providing employees with a safe and healthy working environment, and had no incident of work-related injuries or occupational diseases during the reporting period.

4.2.1 *Safety Production Management*

The Chongqing Production Base has formulated multiple safety production management policies, such as the Production Site Management Policy, the Safety Sign Usage Management Regulations, the Hazardous Chemical Safety Management Procedures, the Fire Safety Management Regulations, and the Production Safety Accident Emergency Plan. A Safety Production Leading Group has also been established there to ensure long-term, institutionalized, and standardized safety production management mechanism and the comprehensively implementation of the Company's safety production efforts.

The Chongqing Production Base has established an Emergency Command Center to take the leading role in emergency response operations. The Emergency Command Center comprehensively manages the emergency response and safety production operations of the Production Base, including answering to and implementing emergency response directions from local government authorities, formulating, revising, reviewing, and approving emergency plans, and establishing and capacity training of emergency response team. In addition, the Base has formulated the Safety Hazard Identification and Risk Assessment Management Regulations, specifying the identification and evaluation methods for major safety hazards, such as mechanical injuries, electric shock risk, and chemical reagent risks. Regarding the hazards, the Regulations also provides the relevant risk levels and risk mitigation measures, such as mechanical reinforcement protective covers and strictly requiring personnel to wear personal protective equipment during operations, all implemented by the Company.

The ECD Equipment Production Line has also established a Production Safety Leading Group, and formulated a series of safety management policies, such as the Production Safety Responsibility System, the Production Site Management Policy, and the Equipment and Safety Management Policy. The ECD Equipment Production Line strictly implements these safety policies and requirements, such as displaying safety responsibilities and posting safety warning signs in workshops. It also works under the guidance of local emergency management and disease control authorities, and contracted professional third-party organizations to carry out a number of safety management initiatives, such as the safety management planning and implementation for construction projects (the "**three simultaneities**"), inspection of safety hazards in completed projects, and the screening of occupational disease hazards in designs, etc. Based on the evaluation conclusions and opinions, the ECD Equipment Production Line implemented the suggested rectification actions. Multiple inspections of production safety risks and the relevant rectification activities were also carried out to ensure the strict implementation of production safety team responsibilities.

In terms of supplier safety management, the Company requires and encourages its suppliers to keep optimizing their safety awareness with safety responsibility agreements and safety awareness programs. During the reporting period, suppliers of the Company had no incident of work-related injuries or fatalities.

4.2.2 *Safety Training and Education*

The Company conducts safety training every month and organizes regular safety emergency drills to comprehensively improve the safety management and safety risk response capabilities of employees. The safety trainings cover a variety of topics, such as new employee safety orientation training, emergency response training for explosive chemicals accidents, specialized training on various safety management policies, and training on operation of machinery and special equipment.

Chongqing Production Base Organized Fire Drills

In order to effectively prevent various fire accidents from happening and enhance employees' emergency response capabilities to safety emergencies, the Chongqing Production Base organized a fire safety emergency drill with the theme of "Mind Fire Safety, Ensure Our Safety" in October 2024.

Before the drill, the Base formulated evacuation routes based on the fire evacuation plan and prepared portable dry powder fire extinguishers, fire hoses, masks, and other fire emergency supplies. When the fire alarm was broadcast, all employees evacuated to the designated area in an orderly and safe manner. In addition, safety officers provided trainings and organized fire extinguisher drills to allow employees learn how to use fire extinguishers through practicing. The fire drill has effectively improved both the safety awareness and the response and self-rescue capabilities of employees.

4.2.3 *Occupational Health and Safety*

The Company attaches great importance to occupational health and safety of employees, and arranges medical examinations for employees annually, keeping close watch of the physical and mental health of employees. If an employee shows symptoms of possible health problems, the Company will dispatch dedicated personnel to accompany the employee through the medical examination to make sure whether the health condition of the employee is suitable for his or her current post, so as to fully ensure the physical and mental health of employees. The Chongqing Production Base has formulated the Personnel Health Management Regulations, specifying the requirements for medical examination and health status reporting procedures for both newly recruited employees and in-service employees, as well as the procedures for employee health management, and the requirements for establishing employee health records. New employee candidates are subject to mandatory medical examinations, and only those who pass the examination will be considered for employment. In-service employees need to participate in annual medical examinations, and those who fail will be immediately reassigned to other posts in accordance with their examination results.

Work-related Injuries and Deaths of the Company

KPIs	Unit	2022	2023	2024
Number of work-related deaths of employees	persons	0	0	**0**
Number of work-related deaths of contractors	persons	0	0	**0**
Accident fatality rate of employees[1]	/	0	0	**0**
Accident fatality rate of contractors[1]	/	0	0	**0**
Number of workdays lost due to work-related injuries of employees	days	0	0	**0**
Lost working days due to work-related injuries of contractors	days	0	0	**0**

1. Accident fatality rate (million hours fatality rate) = (number of work-related deaths/total working hours in the year) × 1,000,000.

4.3 Career Development and Training

Pioneer Holdings attaches great importance to the career development of employees. The Company provides employees with abundant learning and training resources that customized to the different needs of different levels and job tracks, including thematic training, professional technical training, seminars, workshops and conferences, regular sharing sessions, and external learning opportunities, aiming to help employees master the necessary knowledge and skills to support them to achieve their career dreams.

Newly hired employees of the Company must complete an orientation training, which mainly includes introduction of the Company, corporate culture, policies and regulations, code of conduct, and product-related knowledge, to help new employees gain a better understanding of the Company and work environment. The orientation training helps new employees quickly integrate into the workplace and get ready to start working. The orientation training usually contains two types of content and formats, including trainings on work processes and job responsibilities, which are organized by relevant functional departments such as the Human Resources Department and the Business Department, and centralized mass trainings the Company arranged periodically.

Other than the orientation training, new employees also have to complete a pre-job training and pass the follow-up assessment before they can officially start working. Then their specific department shall assign a mentor to help the new employee get familiar with the new job and learn about the appropriate code of conduct. On-the-job training is available for employees both internally and externally, with training content mainly focusing on professional skills, general management skills, career development, and workplace mindset. Department leaders recommend employees under their management to participate in relevant on-the-job trainings either based on the performance of the employees or based on department needs. In addition, the Company also allocates dedicated training expenses to support professional and technical training for employees.

Employee Training Coverage Data[1] of the Company

KPIs	2023 Number of employees trained (persons)	2023 Percentage of employees trained (%)	**2024 Number of employees trained (persons)**	**2024 Percentage of employees trained (%)**
Employees trained	107	31	**109**	**32**
Categorized by gender				
Male	40	37	**59**	**55**
Female	67	63	**50**	**45**
Categorized by position level				
Senior management	13	12	**13**	**11**
Middle management	16	15	**19**	**18**
Frontline employees	78	73	**77**	**71**

1. Percentage of employees trained = Number of employees trained under particular category/Total number of employees trained * 100%.

Average Employee Training Hours[1] of the Company

KPIs	Unit	2022	2023	**2024**
Average training hours per person	hours	14	22	**21**
Categorized by gender				
Male	hours	15.5	36.0	**28.5**
Female	hours	12.1	13.4	**15.5**
Categorized by position level				
Senior management	hours	31.9	23.08	**25.5**
Middle management	hours	13.3	7.25	**9.67**
Frontline Employees	hours	8.5	16.67	**11.5**

1. Average training hours per person = Total training hours of employees under particular category/Total number of employees under this category * 100%.

4.4 Labor Standards

The Company strictly adheres to the Provisions on Prohibition of Child Labor issued by the State Council, as well as the Minimum Age Convention, the Forced Labor Convention, and the Worst Forms of Child Labor Convention that issued by the International Labour Organization (ILO), strictly prohibiting the use of child labor and forced labor, either by the Company itself or by any other companies or organizations. The Company clearly stipulates in the Employee Handbook that job applicants are subject to ID check and background check to ensure compliance with these requirements of relevant labor standards such as those on child labor. In addition, the Company also screens out suppliers with known records of using child labor or forced labor during the supplier selection process. For example, the ECD Equipment Production Line reviews the labor attendance records and age statistics during the on-site audit of suppliers.

During the reporting period, the Company had no incident involving violations of laws and regulations on child labor and forced labor. The Company has also established relevant procedures to protect the legitimate rights, interests, and health, both physical and mental, of employees. All violations shall be disciplined in strict compliance with the requirements of the relevant laws and regulations.

4.5 Supply Chain Management

The Company has established a supply chain management unit under the Board of Directors, consisting of the Chairman of the Board, executive directors and general managers of various business units, responsible for thoroughly reviewing and approving all inventory, sales, and procurement plans. The Company continuously optimizes its supply chain management methods, enhancing the supply chain management capabilities, gradually extending its sustainability requirements to cover supply chain, and vigorously building a responsible supply chain. Suppliers of the Company are mainly categorized in pharmaceutical products suppliers, medical devices suppliers, production equipment suppliers, and service suppliers. In addition, the Company also manages its suppliers with categories in other dimensions, such as “key suppliers”, which refers to suppliers with high procurement volume, and “strategic suppliers”, which refers to suppliers whose products or services are of strategic importance to the strategic goals and business development of the Company.

The Company has established and implemented a supplier selection mechanism for each supplier. Suppliers are selected based on reviews and assessment results in various aspects, including supplier qualification review, compliance review, quality management system certification review, product quality inspection, safety and environmental requirements review, supply chain traceability assessment, and financial stability assessment. The Company also conducts supplier performance evaluations regularly.

Supplier Selection Mechanism of the Company

Supplier qualification review	Evaluate the qualifications and experience of suppliers, including their history in pharmaceutical production, technical strength, production equipment, etc.
Compliance review	Require suppliers’ production processes and products to comply with regulations and industry standards such as registration requirements and production licenses for pharmaceutical products.
Quality management system certification review	Require suppliers to have certifications that meet the requirements of pharmaceutical production quality management, such as GMP (Good Manufacturing Practice) certification.

Product quality inspection	Strictly inspect the quality of samples provided by suppliers, including testing for chemical composition, purity, stability, microbial contamination, etc.
Safety and environmental requirements review	Suppliers are required to comply with safety and environmental regulations, ensuring that their production processes have no significant impact on the environment and guaranteeing the safety and reliability of their products.
Supply chain traceability assessment	Suppliers are required to establish a comprehensive supply chain traceability system to ensure the traceability of the production process and the source of raw materials for pharmaceutical products.
Financial stability assessment	Review the financial status of suppliers to ensure they have sufficient funds and resources to support reliable production and supply.

The Company has established a series of supply chain management policies, such as the Procurement Policy and the Supplier Audit Management Policy. To ensure a secure and continuously optimizing supply chain, the Company carries out comprehensive evaluations annually on the quality performance of the products and services, delivery timeliness, compliance, and innovation capabilities of suppliers. Suppliers are required to take certain management measures based on their evaluation results. For example, suppliers with issues in product quality, compliance, delivery delays, and communication and cooperation will be labeled as unqualified suppliers.

For unqualified suppliers, the Company will communicate with them through telephone conferences, face-to-face meetings, and written notices to explain the issues and specify the requirement for relevant rectification plans. The rectification plans shall provide detailed explanations of the rectification measures and a specific timeframe for implementation. The Company will follow up on the supplier's rectification progress to ensure that the issues are effectively resolved. If an unqualified supplier fails to rectify within the specified time and issues have significant impact on business, the Company will add the supplier to the "blacklist". Blacklisted suppliers will not only have their cooperation suspended or terminated, but also be excluded from future cooperation. During the reporting period, the Company have no incident of terminating cooperation with suppliers due to significant negative environmental or social impact.

The Company strives to implement green procurement and has formulated a green procurement policy, specifying its preference for environmentally friendly products and services, as well as the environmental requirements for suppliers. The Company gives environmentally friendly products a general definition, which includes products made with renewable materials, biodegradable materials, or non-toxic materials, products with outstanding energy and resource efficiency or lower pollution or emissions, and products certified as environmentally friendly products. Meanwhile, the Company also incorporates social factors of the production process of products into consideration, such as employee wellbeing and labor compliance. The Company supervises and evaluates green procurement activities to ensure compliance with its environmental policies and goals. The Company also organizes trainings on green procurement regularly for relevant employees to enhance their understanding, awareness, and support of green procurement activities.

Number of Suppliers by Geographical Region of the Company

KPIs	Unit	2022	2023	2024
Asia	–	12	12	**12**
Europe	–	7	7	**7**
North America	–	3	3	**3**
Total	–	22	22	**22**

4.6 Product Responsibility

4.6.1 Responsible Marketing

The Company strictly adheres to the relevant provisions of the Advertising Law of the People's Republic of China and Drug Descriptions and Labeling Regulations, etc., regarding the marketing and promotion of pharmaceutical products. Promotional materials such as product brochures are reviewed by multiple departments before being released to prevent any exaggeration or false advertising. The Company is committed to working together with market regulatory authorities to create a market environment with compliance and integrity, and avoid any infringement of consumers' legitimate rights and interests. The Company proactively provides transparent product information to customers regarding customer inquiries, ensuring the consumers' rights to know. For its partners, the Company provides them with the necessary supports, such as valid qualification credentials, product certificates, product specifications, and anti-counterfeiting account information, etc., to work together with them and effectively protect the legitimate rights and interests of customers.

4.6.2 Product Quality and Safety

The Company attaches great importance to product quality and insists on providing high-quality products for customers. To achieve this, the Company has formulated a series of relevant policies and regulations, including the Quality Policy and Objective Management System, the Quality Risk Management Policy, the Quality Complaint Management Measures, the Management Measures for First-time Products, and other management regulations regarding various categories of pharmaceutical products, to ensure the product quality comprehensively.

- **Procurement:** During the procurement stage, the Company strives to select qualified suppliers based on their qualifications, production capabilities, quality management systems, and past product quality records through questionnaires, on-site inspections, and supplier audits. In addition, quality-related requirements, such as product quality standards, inspection requirements, and quality control measures, are also incorporated in the procurement contract with suppliers.

- **Pre-production:** Before formal production starts, the Company requires product samples from suppliers for rigorous testing on product performance, safety, and reliability to ensure that the products meet its quality standards.

- **Production:** During the production process, the Company initiates the supplier production process monitoring mechanism, and carries out regular quality inspections of suppliers in various forms, such as sampling inspection, equipment monitoring, process control, and final inspection of finished products. If any quality issue is identified during the inspections, the Company will work together with the supplier to explore solutions and ensure the implementation of relevant rectification measures.

For products produced by the Company, we adhere to the quality policy of "customer health first, product quality foremost". The Company has established a comprehensive quality management system that covers the entire production process, including raw material procurement, material acceptance inspection, production process quality control, in-process inspection, finished product inspection, warehousing registration, out-of-factory inspection, and review of defective product incident, etc. The system also includes management policies, such as the Quality Policy and Quality Objective Management Regulations, to clearly define the responsibilities of each department in terms of quality management.

To further strengthen that supervision of drug safety and ensure drug safety for the general public, the Company has formulated the Drug Recall Management Policy to regulate and standardize the recall procedures for pharmaceutical products with quality issues or other safety hazards. Products with quality issues or other safety hazards are recalled in accordance with the severity category of the incident. Different levels of recalls have different time limits. Meanwhile, the Company also conducts product recall drills regularly to ensure the effectiveness of its recall mechanism. During the reporting period, the Company had no incident of product recall due to safety and health reasons.

Quality Targets of Chongqing Production Base

Qualitative Targets:

- With product quality as the core, continuously enhance the quality awareness of all employees, and promote enterprise development through quality.

Quantitative Targets:

- 100% pass rate in market random inspections
- Compliance in internal and external inspections: 0 incident of severe defects, and no more than 2 incidents of major defects
- 100% timely recall completion rate
- 100% handling rate of quality-related complaints
- No more than 0.2% fail-to-detect rate for defect products
- 100% quality compliance rate for finished products
- 100% quality compliance rate for intermediate products, etc.

4.6.3 *Customer Service Quality*

The Company focuses on customer service and strives to continuously improve its customer service procedures. We actively collect customer opinions and suggestions to identify and analyze quality issues with products in a timely manner, and use them to identify quality management loopholes and formulate relevant solutions to ensure customer satisfaction. To this regard, the effectiveness of the solutions and customer feedback are followed upon on a daily basis. The Company has established a customer service team with strong professional knowledge and skills, as well as good communication and collaboration capabilities, to provide practical solutions for customers.

The Company has formulated the Quality Complaint Management Policy to regulate the after-sales quality management of pharmaceutical products. After a complaint is received, the Quality Management Department will review the complaint, first verifying its authenticity then rating its severity level, based on which relevant response measures will be initiated, with results promptly feedbacked to the complaining customer. The Company ensures timely response to complaints from customer and consumers with a variety of channels of communication, including WeChat, email, phone, SMS, and face-to-face communication. According to the Company's Quality Complaint Management Procedures, we are obliged to respond to a complaint and contact the complaining customer within 4 hours, and develop a solution and feedback it to the customer within 24 hours. During the reporting period, a total of 5 quality complaints were received, all of which were verified and properly handled, with the complaint response rate and resolution rate reaching 100%.

In addition, we actively share industry – and product-related knowledge and information with customer to help customer better understand our products and services, as well as industry trends. We also conduct monthly customer visits to proactively collect customer feedback to further improve the quality of our services.

4.6.4 Data and Privacy Protection

The Company continuously strengthens data and privacy protection management. We have formulated regulations for information security protection to regulate the use of computers, email systems, intranet systems, and network-related activities of employees. The Company uses advanced encryption algorithms to encrypt and store sensitive data such as user passwords and personal information. We use account passwords, multi-factor authentication, and other methods to strictly control access to user data and prevent unauthorized access. The Company protects data through hierarchical protection, using conventional access control measures to protect general data, and using strict isolation and encryption methods to protect highly sensitive data. In addition, the Company has deployed a data usage monitoring and security detection system, which regularly conducts penetration testing and vulnerability detection to promptly identify and prevent potential data leaks. Employees are required to report any information security threats or suspicious information security immediately.

The Company has also formulated relevant regulations for the protection of trade secrets, requiring employees to properly archive confidential documents and prohibiting the behaviors of keeping company documents in private. With Consumers' consent, the Company follows the principles of legality, reasonableness, and necessity to collect customer information, and strictly protects the integrity, confidentiality, and availability of customer information along the whole process of information management, from information acquisition, processing, storage, to its final deletion. Employees are not allowed to disclose customer information to any unit or individual outside the Company through any channels, nor to use customer information for business purposes other than maintaining customer services. Meanwhile, we conduct regular inspections on the customer information confidentiality protection to minimize the risk of customer information leak. For customer information invalidated in daily work, we still handle with confidentiality and strictly prevent misuse or leak of customer information. In addition, we continuously strengthen education and training on customer information confidentiality for employees and raise their awareness of information confidentiality. During the reporting period, the Company had no incident of customer information leaks.

4.6.5 Intellectual Property Protection

The Company complies with the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and other relevant laws and regulations on intellectual property protection. We strive to continuously strengthen the protection of intellectual property rights, which include inventions, creations, formulas, proprietary technologies, and copyrighted works. Employees are required to take concrete measures to protect the Company's intellectual property rights, and report promptly to the Legal Department when intellectual property rights are generated during their course of duties.

The Company vigorously carries out research and development and innovation activities, and works closely with universities to explore technological development. Hunan Tiantong, a subsidiary of the Company, developed the ECD acid-free cleaning technology for removing scale and rust from metal surfaces, which is a technological upgrade to traditional acid cleaning methods. Using this environmentally friendly technology, the steel slag generated during the cleaning process can be recycled and disposed of as non-hazardous waste. Hunan Tiantong has been continuously working in this field. With 5 patent claims in hand and another 4 patent applications pending, Hunan Tiantong was recognized as a provincial-level high-tech enterprise.

4.7 Anti-Corruption

The Company values integrity, honesty, and fairness. We strictly abide by the relevant laws and regulations such as the Anti-Money Laundering Law of the People's Republic of China, the Anti-Unfair Competition Law, and the Provisions on Banning Commercial Bribery, as well as overseas laws such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act 2010, and implement relevant measures to strictly prohibit bribery, extortion, fraud and money laundering as well as any other form of corruption behaviors.

The Company has formulated the Anti-Corruption Compliance Policy, which regulates the behaviors of employees, distributors, and other agents with regard to bribery, gifts, entertainment reception, travel expenses, sponsorship, and donations. Included in this policy, there are specific guidelines for employees' code of conduct on gifts, entertainment, travel expenses for third parties, sponsorship and donations, conflicts of interest, and whistleblowing policy for compliance violations. The Anti-Corruption Compliance Policy contains an acknowledgment section, which all employees are required to sign and commit to strictly complying with the requirements of the policy.

The Company has established multiple whistleblowing channels for reporting corrupt behaviors, including in-person interview, telephone, email, and mail reporting lines. Submitted questions and information are limited to personnel from legal and compliance departments. Access to such information can only be granted to other employees or external advisors when it is necessary for case assessment and response. The Company strictly prohibits any form of retaliatory actions against whistleblowers.

Meanwhile, the Company has formulated the Code of Business Conduct and Professional Ethics for Employees and attaches it to employment contract, requiring employees to adhere to the highest standards of business and personal ethics. Employees are prohibited from engaging in any behavior that conflicts with their job responsibilities or is harmful to the Company, such as obtaining undue personal benefits from the Company, gaining material benefits from business transactions outside the Company, establishing or maintaining employment relationships with suppliers or customers of the Company, or involving family members in business activities. Employees engage in violations prohibited by the Anti-Corruption Compliance Policy or the Code of Business Conduct and Professional Ethics for Employees, such as embezzlement, corruption, theft, and fraud, will be terminated from the employment relationship.

In addition, the Company also signs compliance agreements with distributors, requiring them to strictly adhere to anti-corruption, anti-bribery, and other relevant compliance provisions, as well as compliance with the Company's business ethics and personal moral standards. Distributors are prohibited from engaging in any illegal or unethical behavior to achieve sales goals or obtain any other benefits.

The Company conducts irregular compliance trainings to promote the corporate values of integrity among all employees, covering anti-bribery, anti-monopoly, anti-false advertising, and other compliance-related policies and measures. Case studies on corrupt practices, false reimbursement, and other misconduct are shared with employees during the training activities to help employees better understand the consequences of such behaviors and urge them to enhance their compliance awareness. The Company provides annual compliance training for suppliers. Employees working on supply chain-related business departments are also required to participate. This supplier training aims to strengthen the compliance awareness of both employees and suppliers, and prevent the occurrence of bribery, corruption, and other violations. During the reporting period, the percentage of anti-corruption related policies delivered to the Board of Directors and employees achieved 100%.

During the reporting period, the Company had no incident of violations of anti-corruption policies such as corruption, bribery, etc.

4.8 Community Investment

The Company actively participates in community activities where it operates, striving to provide local communities with high-quality products that meet local safety standards. Over the years, the Company focused its community supports on pharmaceutical donations, rescue support, as well as volunteering services. We vigorously encourage our employees to actively participate in volunteer works. When selecting its philanthropic partners, the Company thoroughly evaluates their visions and backgrounds and prioritizes those better aligned with its own values and business scope. Organizations without transparent disclosure of their financial and operational information will be eliminated to ensure the effective use of the community investment resources of the Company. During the reporting period, the Group donated funds or equivalent materials totaling RMB709,200 to various charitable organizations such as the People's Hospital Medical Fund of the Dongyang Charity Federation, the Zhejiang University Education Foundation, the Henan Provincial Charity Federation, and the Red Cross Society of Jinhua City.

5 HKEX ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Chapters
A: Environmental		
Aspect A1 Emissions	General Disclosure	Environmental Management; Emissions, Wastewater, and Waste Management; Addressing Climate Change
	A1.1	Emissions, Wastewater, and Waste Management
	A1.2	Addressing Climate Change
	A1.3	Emissions, Wastewater, and Waste Management
	A1.4	Emissions, Wastewater, and Waste Management
	A1.5	Emissions, Wastewater, and Waste Management; Addressing Climate Change
	A1.6	Emissions, Wastewater, and Waste Management
Aspect A2 Use of Resources	General Disclosure	Environmental Management; Energy Management; Water Resources Management; Packaging Material Management
	A2.1	Energy Management
	A2.2	Water Resources Management
	A2.3	Energy Management
	A2.4	Water Resources Management
	A2.5	Packaging Material Management
Aspect A3 The Environment and Natural Resources	General Disclosure	Environmental Management
	A3.1	Environmental Management; Energy Management; Water Resources Management; Packaging Material Management
Aspect A4 Climate Change	General Disclosure	Addressing Climate Change
	A4.1	Addressing Climate Change

Subject Areas, Aspects, General Disclosures and KPIs		Chapters
B: Social		
Employment and Labor Practices		
Aspect B1 Employment	General Disclosure	Employment
	B1.1	Employment
	B1.2	Employment
Aspect B2 Health and Safety	General Disclosure	Health and Safety
	B2.1	Health and Safety
	B2.2	Health and Safety
	B2.3	Health and Safety
Aspect B3 Development and Training	General Disclosure	Career Development and Training
	B3.1	Career Development and Training
	B3.2	Career Development and Training
Aspect B4 Labor Standards	General Disclosure	Labor Standards
	B4.1	Labor Standards
	B4.2	Labor Standards

Subject Areas, Aspects, General Disclosures and KPIs		Chapters
Operating Practices		
Aspect B5 Supply Chain Management	General Disclosure	Supply Chain Management
	B5.1	Supply Chain Management
	B5.2	Supply Chain Management
	B5.3	Supply Chain Management
	B5.4	Supply Chain Management
Aspect B6 Product Responsibility	General Disclosure	Responsible Marketing; Product Quality and Safety; Customer Service Quality; Data and Privacy Protection; Intellectual Property Protection
	B6.1	Product Quality and Safety
	B6.2	Customer Service Quality
	B6.3	Intellectual Property Protection
	B6.4	Product Quality and Safety
	B6.5	Data and Privacy Protection
Aspect B7 Anti-corruption	General Disclosure	Anti-corruption
	B7.1	Anti-corruption
	B7.2	Anti-corruption
	B7.3	Anti-corruption
Community		
Aspect B8 Community Investment	General Disclosure	Community Investment
	B8.1	Community Investment
	B8.2	Community Investment

Independent Auditor's Report

TO THE SHAREHOLDERS OF SHANGHAI PIONEER HOLDING LTD
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Pioneer Holding Ltd (the "Company") and its subsidiaries (together the "Group") set out on pages 92 to 168, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

KEY AUDIT MATTER (Continued)

Impairment assessment of trade receivables

We identified impairment assessment of trade receivables as a key audit matter due to the involvement of management's judgement and estimates in measuring the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period.

As disclosed in Note 39 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables on a collective basis through groupings of various debtors based on the types of sales, types of debtors and size of operations which are considered to have shared credit risk characteristics and similar loss patterns. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonably available without undue cost or effort. In addition, trade receivables that are credit-impaired are assessed for ECL individually.

As disclosed in Note 39 to the consolidated financial statements, the Group had impairment loss of approximately RMB2,032,000 on trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2024.

Our response:

Our procedures in relation to impairment assessment of trade receivables included:

- Understanding key controls on how the management estimates the loss allowance for trade receivables;

- Testing the accuracy of information used by the management of the Group, on a sample basis, to develop the collective basis of impairment assessment;

- Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2024, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the debtors into different categories on a collective basis, and the basis of estimated loss rates applied to each category (with reference to historical default rates and forward-looking information); and

- Evaluating the disclosures regarding the impairment assessment of trade receivables in Note 39 to the consolidated financial statements.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matter communicated with the directors, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chau Ka Kin
Practising Certificate No. P07445

Hong Kong, 28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
Revenue	7	**1,531,050**	1,566,673
Cost of sales		**(847,844)**	(898,434)
Gross profit		**683,206**	668,239
Other income	8	**44,697**	52,345
Other gains and losses	9	**(12,701)**	(12,761)
Finance costs	10	**(2,424)**	(2,478)
Reversal of Impairment losses under expected credit loss model	11	**252**	14
Distribution and selling expenses		**(363,228)**	(422,604)
Administrative expenses		**(133,814)**	(112,106)
Share of results of associates		**(2,866)**	(301)
Profit before tax		**213,122**	170,348
Income tax expense	12	**(67,714)**	(48,551)
Profit for the year	13	**145,408**	121,797
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
– Fair value gain/(loss) on investments in financial assets at fair value through other comprehensive income ("FVTOCI"), net of income tax		**62,897**	(26,328)
Items that may be reclassified subsequently to profit or loss:			
– Exchange difference on translation of a foreign operation		**(3,731)**	–
– Exchange difference of interests in associates		**(792)**	(31)
Other comprehensive income for the year		**58,374**	(26,359)
Total comprehensive income for the year		**203,782**	95,438
Profit for the year attributable to:			
Owners of the Company		**151,618**	138,518
Non-controlling interests		**(6,210)**	(16,721)
		145,408	121,797
Total comprehensive income for the year attributable to:			
Owners of the Company		**209,992**	112,159
Non-controlling interests		**(6,210)**	(16,721)
		203,782	95,438
		RMB	RMB (Restated)
Earnings per share			
Basic	14	**0.13**	0.12

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
Non-current Assets				
Property, plant and equipment	*17*	**187,867**	214,582	194,249
Right-of-use assets	*18*	**30,784**	32,858	27,316
Intangible assets	*19*	**20,391**	30,191	37,048
Interests in associates	*20*	**47,719**	7,917	7,879
Financial assets at FVTOCI	*21*	**110,391**	67,521	94,978
Financial assets at fair value through profit or loss ("FVTPL")	*27*	**42,668**	41,700	53,300
Deposits paid for acquisition of property, plant and equipment and intangible assets	*25*	**–**	7,126	7,157
Prepayments for technique know-hows	*25*	**76,405**	13,600	–
Deferred tax assets	*22*	**7,989**	2,268	8,598
Goodwill	*23*	**–**	6,213	6,213
		524,214	423,976	436,738
Current Assets				
Inventories	*24*	**321,172**	417,934	321,132
Trade and other receivables	*25*	**502,325**	538,575	479,316
Financial assets at FVTPL	*27*	**–**	10,000	105,000
Tax recoverable		**344**	3,953	3,575
Pledged bank deposits	*26*	**6,451**	22,040	11,898
Cash and cash equivalents	*26*	**103,573**	114,427	214,008
		933,865	1,106,929	1,134,929
Current Liabilities				
Trade and other payables	*28*	**171,159**	338,230	385,247
Amounts due to related parties	*29(b)*	**4,505**	5,643	5,827
Tax payables		**32,750**	17,265	39,701
Bank borrowings	*30*	**62,359**	59,971	28,855
Lease liabilities	*31*	**1,399**	1,301	731
Contract liabilities	*32*	**3,246**	20,280	12,485
		275,418	442,690	472,846
Net Current Assets		**658,447**	664,239	662,083
Total Assets less Current Liabilities		**1,182,661**	1,088,215	1,098,821

As at 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
Capital and Reserves				
Share capital	*35*	**77,399**	77,399	77,399
Reserves		**1,033,049**	929,044	930,405
Equity attributable to owners of the Company		**1,110,448**	1,006,443	1,007,804
Non-controlling interests		**5,114**	11,324	14,685
Total Equity		**1,115,562**	1,017,767	1,022,489
Non-current liabilities				
Deferred tax liabilities	*22*	**16,396**	16,280	24,725
Lease liabilities	*31*	**11,463**	12,748	8,007
Deferred income	*33*	**39,240**	41,420	43,600
		67,099	70,448	76,332
		1,182,661	1,088,215	1,098,821

Mr. Li Xinzhou
Director

Mr. Yang Yuewen
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company										
	Share capital RMB'000 *(Note 35)*	Share premium RMB'000 *(Note 43(a))*	Other reserve RMB'000 *(Note 43(b))*	Translation reserve RMB'000 *(Note 43(c))*	Statutory reserve RMB'000 *(Note 43(d))*	Treasury share reserve RMB'000 *(Note 43(e))*	Investments revaluation reserve RMB'000 *(Note 43(f))*	Accumulated profits RMB'000 *(Note 43(g))*	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023	77,399	621,726	(57,119)	(14,276)	22,536	(202,099)	(12,672)	572,309	930,405	14,685	1,022,489
Prior year adjustment *(Note 2)*	–	–	–	–	–	–	(17,475)	17,475	–	–	–
At 1 January 2023 (Restated)	77,399	621,726	(57,119)	(14,276)	22,536	(202,099)	(30,147)	589,784	930,405	14,685	1,022,489
Profit/(loss) for the year (restated)	–	–	–	–	–	–	–	138,518	138,518	(16,721)	121,797
Other comprehensive income	–	–	–	(31)	–	–	(26,328)	–	(26,359)	–	(26,359)
Total comprehensive income for the year	–	–	–	(31)	–	–	(26,328)	138,518	112,159	(16,721)	95,438
Capital injection by non-controlling interests	–	–	–	–	–	–	–	–	–	70	70
Acquisition of additional interests in subsidiaries	–	–	(13,290)	–	–	–	–	–	(13,290)	13,290	–
Repurchase of ordinary shares under Share Award Scheme *(Note 40)*	–	–	–	–	–	(22,727)	–	–	(22,727)	–	(22,727)
Appropriation of reserve	–	–	–	–	5,644	–	–	(5,644)	–	–	–
Dividends recognised as distribution *(Note 16)*	–	–	–	–	–	–	–	(77,503)	(77,503)	–	(77,503)
At 31 December 2023 (restated) and 1 January 2024	77,399	621,726	(70,409)	(14,307)	28,180	(224,826)	(56,475)	645,155	929,044	11,324	1,017,767
Profit/(loss) for the year	–	–	–	–	–	–	–	151,618	151,618	(6,210)	145,408
Other comprehensive income	–	–	–	(4,523)	–	–	62,897	–	58,374	–	58,374
Total comprehensive income for the year	–	–	–	(4,523)	–	–	62,897	151,618	209,992	(6,210)	203,782
Repurchase of ordinary shares under Share Award Scheme *(Note 40)*	–	–	–	–	–	(28,051)	–	–	(28,051)	–	(28,051)
Reclassification of investments revaluation reserve to accumulated profits upon disposal	–	–	–	–	–	–	37,985	(37,985)	–	–	–
Appropriation of reserve	–	–	–	–	2,089	–	–	(2,089)	–	–	–
Dividends recognised as distribution *(Note 16)*	–	–	–	–	–	–	–	(77,936)	(77,936)	–	(77,936)
At 31 December 2024	77,399	621,726	(70,409)	(18,830)	30,269	(252,877)	44,407	678,763	1,033,049	5,114	1,115,562

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**213,122**	170,348
Adjustments for:			
Finance costs	*10*	**2,424**	2,478
Effect of exchange rate		**–**	(31)
Interest income	*8*	**(3,825)**	(585)
Dividends received from an financial asset at FVTOCI	*8*	**–**	(3,431)
Depreciation of property, plant and equipment	*17*	**21,232**	10,554
Depreciation of right-of-use assets	*18*	**2,074**	1,513
Amortisation of intangible assets	*19*	**7,626**	6,883
Amortisation of deferred income	*33*	**(2,180)**	(2,180)
Loss on disposal of property, plant and equipment	*9*	**4,485**	167
Gain on early termination of lease		**–**	(229)
Share of results of associates		**2,866**	301
Write-down of inventories		**4,659**	1,129
Reversal of impairment losses under expected credit loss net of reversal model,	*24*	**(252)**	(14)
Impairment loss on goodwill	*9, 23*	**6,213**	–
Loss on write-off of intangible assets	*19*	**2,396**	–
(Gain)/loss on fair value change of financial assets at FVTPL	*9*	**(1,568)**	8,211
Operating cash flows before movements in working capital		**259,272**	195,114
Decrease/(increase) in inventories		**92,103**	(93,005)
Decrease in trade and other receivables, prepayments and deposits		**92,470**	1,394
Decrease in trade and other payables		**(154,597)**	(153,845)
(Decrease)/increase in contract liabilities		**(17,034)**	7,795
Decrease in amounts due to related parties		**–**	(181)
Cash generated from/(used in) operations		**272,214**	(42,728)
Income taxes paid		**(54,959)**	(73,480)
Interest paid		**(2,424)**	(2,478)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**214,831**	(118,686)

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**3,825**	585
Payment for deposits for acquisition of property, plant and equipment, intangible assets and technique know-how		**(48,153)**	(13,569)
Capital distribution from an investment fund	39	**600**	1,500
Purchases of financial assets at FVTOCI	39	**(30,000)**	–
Dividends received from financial assets at FVTOCI		**–**	3,431
Proceeds from disposal of financial assets at FVTOCI		**45,015**	1,129
Investment in an associate		**(355)**	(370)
Purchases of property, plant and equipment	15	**(6,822)**	(30,922)
Purchases of intangible assets	19	**(222)**	(65)
Proceeds on disposal of property, plant and equipment		**7,820**	285
Placement of pledged bank deposits		**(37,510)**	(49,947)
Withdrawal of pledged bank deposits		**53,099**	39,805
Net cash inflow on acquisition of subsidiaries	34	**2,015**	19,756
Net cash inflow on disposal of a subsidiary		**–**	1,000
Placement of financial assets at FVTPL		**–**	(113,000)
Withdrawal/redemption of financial assets at FVTPL	39	**10,000**	209,889
Advance to an associate	20	**(43,105)**	–
Advance to a related party	25	**(18,550)**	–
Advance to a third party (including in other receivables)	25	**(85,518)**	–
Repayment from a third party (including in other receivables)	25	**48,100**	–
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(99,761)**	69,507
FINANCING ACTIVITIES			
Dividends paid	16	**(77,936)**	(77,503)
New bank borrowings raised		**81,359**	110,020
Repayments of bank borrowings		**(78,971)**	(78,904)
Repayments of lease liabilities		**(1,187)**	(1,515)
Payment for repurchase of ordinary shares under the Scheme	40	**(28,051)**	(22,727)
Advance from related parties		**58,680**	2,643
Repayment to related parties		**(59,818)**	(2,646)
Advance from a third party	28	**–**	20,000
Repayment to a third party	28	**(20,000)**	–
Capital injection from non-controlling interests		**–**	70
NET CASH USED IN FINANCING ACTIVITIES		**(125,924)**	(50,562)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(10,854)**	(99,741)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**114,427**	214,008
Effect of foreign exchange rate changes		**–**	160
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash		**103,573**	114,427

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 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. PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial information for the year ended 31 December 2024, the Group identified a misstatement in its prior year's financial statement and made corrections in the presentation and disclosures of certain balances in the previously issued consolidated financial statements for the year ended 31 December 2023.

Adjustments relating to classification of investments in unlisted investment funds ("The Funds")

The Funds are limited partnerships managed by an investment committee which were appointed by their General Partners (independent third parties to the Group). According to the Fund's partnership agreements, there is a contractual obligation for the Funds to distribute investment sales proceed upon disposal of their investments, and upon its termination to distribute to the Group a pro rata share of their net assets at the date of its termination. Directors of the Company has assessed that the Group's investments in the Funds do not meet the definition of an equity instrument in IFRS 9 Financial Instruments, which refer to equity instrument as defined in paragraph 11 of IAS 32 Financial Instruments: Presentation. Therefore, the Group's investments in the Funds cannot be designated at fair value through other comprehensive income. Such investments do not have cash flows that are solely payments of principal and interest, and should have been classified as financial assets at fair value through profit or loss under IFRS 9 since their initial recognition.

2. PRIOR YEAR ADJUSTMENT (Continued)

Adjustments relating to classification of investments in unlisted investment funds ("The Funds") (Continued)

Accordingly, certain prior year adjustments have been made and certain comparative information has been restated to correct these errors. The effect of correcting these errors are as follows:

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2023:

	As previously reported RMB'000	Prior period adjustment RMB'000	As restated RMB'000
Gain/(loss) on change in fair value in financial assets at fair value through profit or loss	1,889	(10,100)	(8,211)
Profit before tax	180,448	(10,100)	170,348
Income tax expense	(51,451)	2,900	(48,551)
Profit for the year	128,997	(7,200)	121,797
Other comprehensive income:			
Item that will not be reclassified to profit or loss:			
– Fair value losses on investments in financial assets at fair value through other comprehensive income ("FVTOCI"), net of income tax	(33,528)	7,200	(26,328)
Other comprehensive income for the year, net of income tax	(33,559)	7,200	(26,359)
Total comprehensive income for the year	95,438	–	95,438
Profit for the year attributable to:			
Owners of the Company	145,718	(7,200)	138,518
Non-controlling interests	(16,721)	–	(16,721)
	128,997	(7,200)	121,797
Total comprehensive income for the year attributable to:			
Owners of the Company	112,159	–	112,159
Non-controlling interests	(16,721)	–	(16,721)
	95,438	–	95,438
Earnings per share			
Basic	0.12	–	0.12

2. PRIOR YEAR ADJUSTMENT (Continued)

Adjustments relating to classification of investments in unlisted investment funds ("The Funds") (Continued)

Impact on the consolidated statement of financial position as at 31 December 2023:

	As previously reported RMB'000	Prior year adjustment RMB'000	As restated RMB'000
Non-current assets			
Financial assets at FVOCI	109,221	(41,700)	67,521
Financial assets at FVTPL	–	41,700	41,700

Impact on the consolidated statement of changes in equity as at 31 December 2023:

	As previously reported RMB'000	Prior year adjustment RMB'000	As restated RMB'000
Investments revaluation reserve	(46,200)	(10,275)	(56,475)
Accumulated profits	634,880	10,275	645,155

Impact on the consolidated statement of financial position as at 1 January 2023:

	As previously reported RMB'000	Prior year adjustment RMB'000	As restated RMB'000
Non-current assets			
Financial assets at FVOCI	148,278	(53,300)	94,978
Financial assets at FVTPL	–	53,300	53,300

Impact on the consolidated statement of changes in equity as at 1 January 2023:

	As previously reported RMB'000	Prior year adjustment RMB'000	As restated RMB'000
Investments revaluation reserve	(12,672)	(17,475)	(30,147)
Accumulated profits	572,309	17,475	589,784

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or amended IFRSs – effective 1 January 2024

The Group has adopted the following new and revised IFRSs for the current year's consolidated financial statements:

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

None of these new or amended IFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended IFRSs that is not yet effective for the current accounting period.

(b) New or amended IFRSs that have been issued but are not yet effective

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to IAS 21	Lack of exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[2]
Amendment to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to IAS 10 and IFRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

1 Effective for annual periods beginning on or after 1 January 2025.
2 Effective for annual periods beginning on or after 1 January 2026.
3 Effective for annual periods beginning on or after 1 January 2027.
4 Effective for annual periods beginning on or after a date to be determined by the IASB.

The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application.

4. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

4. BASIS OF PREPARATION (Continued)

(b) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

(c) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Note 7.

(d) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

(e) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributable to non-controlling interests as appropriate).

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Borrowing costs

All borrowing costs, that do not meet the criteria of capitalisation, are recognised in profit or loss in the period in which they are incurred.

(g) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

(h) Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(i) Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods and services, or for administrative purpose. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “right-of-use assets” in the consolidated statement of financial position.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(k) Intangible assets

The Group’s intangible assets are identifiable non-monetary assets without physical substance that are controlled by the Group as a result of past events and from which future economic benefits are expected to flow to it.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(k) Intangible assets (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

(l) Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(n) Financial instruments

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment (as defined in Appendix A of IFRS 9) is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investments revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is reasonably available without undue cost or effort.

The Group rebuts the presumption of the significantly increase in credit risk for trade receivables over 30 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical experience, current information and forward-looking information.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant current credit information such as forward looking macroeconomic information.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

5. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

All financial liabilities (including trade and other payables, amounts due to related parties and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in note 5, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

Trade receivables which are credit impaired are assessed for ECL individually. In addition, for trade receivables which are individually insignificant, collective assessment is performed by grouping debtors with shared risk characteristics. The debtors are grouped based on the types of sales, types of debtors and size of operations which are considered to have shared credit risk characteristics and similar loss patterns. The estimated loss rate are based on the historical observed default rates over the expected life of the debtors and are adjusted for current information and forward-looking information that is reasonably available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 39 and 25 respectively.

Write-down for inventories

The management of the Group reviews the ageing of the inventories at the end of the reporting period, and writes down obsolete and slow-moving inventory items identified that are no longer saleable in the market. The management estimates the net realisable value for such items based primarily on the estimated costs necessary to make the sale, latest invoice prices and current market conditions, such as market demand. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and writes down for obsolete and slow-moving items. As at 31 December 2024, the carrying amount of Group's inventories was RMB321,172,000 (2023: RMB417,934,000), net of write-down for inventories of RMB4,659,000 (2023: net of write-down for inventories of RMB1,129,000).

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Impairment assessment of non-financial assets

Segment loss of the metal finishing service business, recorded for the year ended 31 December 2024, indicates that the goodwill of the metal finishing service business may be impaired. As at 31 December 2024, the carrying amount of goodwill of this cash-generating unit ("CGU") was approximately RMB6,213,000.

In this regard, the Group engaged an independent professional valuer to assist in the estimation of recoverable amount of assets allocated to the CGU, determined by assessing the value in use ("VIU") by preparing a discounted cash flow forecast. Preparing a discounted cash flow forecast involves the exercise of significant management judgement, in particular in forecasting revenue growth and operating profit and in determining an appropriate discount rate. Based on such assessment, impairment loss of RMB6,213,000 was recognised on goodwill for the year ended 31 December 2024.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted);

Level 2: Observable direct or indirect inputs other than level 1 inputs; and

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period as they occur.

The Group measures a number of items at fair value:

- Financial instruments at fair value through other comprehensive income; and
- Financial instruments at fair value through profit or loss.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

7. 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:

	2024 RMB'000	2023 RMB'000
Sales of pharmaceutical products	**735,625**	737,526
Sales of medical equipment and supplies	**795,425**	829,147
	1,531,050	1,566,673

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 its customers accepting the goods for use.

The sales contract terms do not allow rebates, discount, warranties and return on revenue. During the years ended 31 December 2024 and 2023, there were no rebate, and discount, warranties and return of goods.

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. 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, 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").

7. REVENUE AND 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 segment:

For the year ended 31 December 2024

	Products sold via the provision of channel management services RMB'000	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Consolidated RMB'000
Segment revenue	290,632	1,240,418	1,531,050
Segment result	18,117	665,089	683,206
Other income			44,697
Other gains and losses			(12,701)
Reversal of impairment losses under expected credit loss model, net of reversal			252
Distribution and selling expenses			(363,228)
Administrative expenses			(133,814)
Finance costs			(2,424)
Share of results of associates			(2,866)
Profit before tax			213,122

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 December 2023

	Products sold via the provision of channel management services RMB'000	Products sold via the provision of comprehensive marketing, promotion and channel management services RMB'000	Consolidated RMB'000 (Restated)
Segment revenue	301,258	1,265,415	1,566,673
Segment result	21,544	646,695	668,239
Other income			52,345
Other gains and losses			(12,761)
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			170,348

7. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers by major products

	2024 RMB'000	2023 RMB'000
Products sold via the provision of channel management services:		
Alcon	**290,632**	301,258
Products sold via the provision of comprehensive marketing, promotion and channel management services:		
Pharmaceutical products	**444,993**	436,268
Medical equipment and supplies	**795,425**	829,147
	1,240,418	1,265,415
	1,531,050	1,566,673

Geographical information

The Group principally operates in the PRC (country of domicile of major operating subsidiaries). 2024: 98% (2023: 97%) of non-current assets excluding financial assets at FVTOCI and deferred tax assets, are located in the PRC, and the remaining 2024: 2% (2023: 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.

For the year ended 31 December 2024

8. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Government grants *(Note)*	**36,991**	46,680
Dividends received from financial assets at FVTOCI	**–**	3,431
Interest income on bank deposits	**673**	585
Loan interests from other loans	**3,152**	–
Metal finishing service income	**687**	–
Others	**3,194**	1,649
	44,697	52,345

Note: Government grants amounting to RMB2,180,000 (2023: RMB2,180,000) represented the amount of deferred income released to profit or loss for the year ended 31 December 2024. Details of deferred income are set out in note 33. 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.

9. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000 (Restated)
Net foreign exchange losses	**(1,175)**	(4,612)
Gain/(loss) of fair value change of financial assets at FVTPL	**1,568**	(8,211)
Impairment loss of goodwill	**(6,213)**	–
Gain on early termination of lease	**–**	229
Loss on write-off of intangible assets	**(2,396)**	–
Loss on disposal of property, plant and equipment	**(4,485)**	(167)
	(12,701)	(12,761)

10. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on bank borrowings	**2,097**	1,997
Interest on lease liabilities	**327**	481
	2,424	2,478

11. REVERSAL OF IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2024 RMB'000	2023 RMB'000
Reversal of impairment losses on trade receivables	**252**	14

Details of impairment assessment are set out in Note 39(b).

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000 (Restated)
Current tax		
PRC Enterprise Income Tax ("EIT")	**62,102**	44,899
PRC withholding tax on dividends	**–**	8,000
	62,102	52,899
Over-provision in prior year		
PRC EIT	**(129)**	(2,233)
Deferred tax *(Note 22)*		
Current year	**5,741**	(2,115)
	67,714	48,551

12. INCOME TAX EXPENSE (Continued)

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:

	2024 **RMB'000**	2023 RMB'000 (Restated)
Profit before tax	**213,122**	170,348
Tax at the applicable income tax rate of 25%	**53,281**	42,587
Tax effect of expenses not deductible for tax purpose	**6,295**	9,377
Tax effect of income not taxable for tax purpose	**(140)**	(1,481)
Tax effect of tax losses not recognised	**10,336**	3,697
Utilisation of tax losses previously not recognised	**(1,984)**	(3,775)
Income tax on concessionary tax rate	**(3,214)**	(2,621)
Over provision in prior year	**(129)**	(2,233)
PRC withholding tax on dividends	**3,269**	3,000
	67,714	48,551

13. PROFIT FOR THE YEAR

	2024 RMB'000	2023 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration *(Note 15)*	**5,133**	4,509
Other staff's retirement benefits scheme contributions	**12,704**	12,372
Other staff costs	**61,929**	59,707
Total staff costs	**79,766**	76,588
Auditor's remuneration	**2,208**	2,944
Depreciation for property, plant and equipment	**21,232**	10,554
Depreciation of right-of-use assets	**2,074**	1,513
Amortisation of intangible assets	**7,626**	6,883
Loss on write-off of intangible assets *(Note 9)*	**2,396**	–
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB4,659,000 (2023: RMB1,129,000))	**847,844**	898,434

14. EARNINGS PER SHARE

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

	2024	2023 (Restated)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to owners of the Company)	**RMB151,618,000**	RMB138,518,000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,164,169,169**	1,178,461,822

For the years ended 31 December 2024 and 2023, 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 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and chief executives officer's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	For the year ended 31 December 2024								
	Executive director *(Note a)*	Executive director *(Notes a, d)*	Executive director *(Note a)*	Non-executive director *(Note b)*	Independent non-executive directors *(Note c)*	*(Note c)*	*(Notes c, e)*	*Note c, e)*	
	Li Xinzhou RMB'000	Zhang Quan RMB'000 *(Note e)*	Yang Yuewen RMB'000	Hu Mingfei RMB'000 *(Note e)*	Lai Chanshu RMB'000	Zhang Hong RMB'000	Zhang Chihung RMB'000	Wong Chihung RMB'000	Total 2024 RMB'000
Fees	–	–	–	270	270	–	208	78	826
Other emoluments									
Salaries and other allowance	2,651	968	540	–	–	–	–	–	4,159
Retirement benefits scheme contributions	–	–	148	–	–	–	–	–	148
	2,651	968	688	270	270	–	208	78	5,133

	For the year ended 31 December 2023								
	Executive director *(Note a)*	Executive director *(Notes a, d)*	Executive director *(Note a)*	Executive director *(Note d)*	Executive director *(Note b)*	Independent non-executive directors *(Note c)*	*(Note c)*	*(Note c)*	
	Li Xinzhou RMB'000	Zhang Quan RMB'000 *(Note d)*	Yang Yuewen RMB'000 *(Note d)*	Xiao Guoguang RMB'000	Hu Mingfei RMB'000	Lai Chanshu RMB'000	Zhang Hong RMB'000	Wong Chihung RMB'000	Total 2023 RMB'000
Fees	–	–	–	–	184	270	–	315	769
Other emoluments									
Salaries and other allowance	2,046	717	516	322	–	–	–	–	3,601
Retirement benefits scheme contributions	–	–	139	–	–	–	–	–	139
	2,046	717	655	322	184	270	–	315	4,509

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

(a) The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

(b) The non-executive director's emoluments shown above was mainly for her service as director of the Company and the Group.

(c) The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

(d) Mr. Xiao Guoguang resigned from an executive director and Mr. Zhang Quan has been appointed as an executive director with effect from 10 October 2023.

(e) Mr. Wong Chihung resigned from an independent non-executive director and Mr. Zhang Changhai has been appointed as an independent non-executive director with effect from 26 March 2024.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

The five highest paid individuals include 3 (2023: 3) directors for the year ended 31 December 2024. The emoluments of the remaining 2 (2023: 2) highest paid individuals who are neither a director nor chief executive officer of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salary and other allowances	**1,188**	1,356
Retirement benefits scheme contributions	**241**	126
	1,429	1,482

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The number of the highest paid employees (including directors) whose remunerations fell within the following bands is as follow:

	2024 No. of individuals	2023 No. of individuals
Nil to Hong Kong dollars ("HKD") 500,000	**–**	2
HKD500,001 to HKD1,000,000	**3**	2
HKD1,000,001 to HKD1,500,000	**1**	–
HKD1,500,001 to HKD2,000,000	**–**	–
HKD2,500,001 to HKD3,000,000	**1**	1
	5	5

During both years, no emoluments were paid by the Group to the directors and five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

16. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Final – RMB0.022 per share	**26,264**	–
2024 Interim – RMB0.044 per share	**51,672**	–
2022 Final – RMB0.044 per share	**–**	51,198
2023 Interim – RMB0.022 per share	**–**	26,305
	77,936	77,503

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HKD0.056 (equivalent to RMB0.052) (2023: HKD0.024 (equivalent to RMB0.022)) per share of final dividend in respect of the year ended 31 December 2023) per share, in an aggregate amount of approximately HKD70,417,000 (equivalent to RMB65,387,000) (2023: HKD30,179,000 (equivalent to RMB26,264,000)), has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2023	106,823	4,581	38,790	3,383	85,667	239,244
Additions	4,515	–	4,036	3,925	18,446	30,922
Acquired on acquisition of subsidiaries *(Note 34)*	–	–	378	–	–	378
Disposals	–	–	(3,838)	(719)	–	(4,557)
At 31 December 2023	111,338	4,581	39,366	6,589	104,113	265,987
Additions	200	257	3,145	1,245	1,975	6,822
Transfers	23,255	18,273	27,867	–	(69,395)	–
Disposals	–	(4,417)	(17,245)	(671)	(10,185)	(32,518)
At 31 December 2024	134,793	18,694	53,133	7,163	26,508	240,291
ACCUMULATED DEPRECIATION						
At 1 January 2023	17,437	4,581	21,593	1,384	–	44,995
Provided for the year	4,990	–	4,265	1,299	–	10,554
Elimination on disposals	–	–	(3,561)	(583)	–	(4,144)
At 31 December 2023	22,427	4,581	22,297	2,100	–	51,405
Provided for the year	7,571	3,277	8,883	1,501	–	21,232
Elimination on disposals	–	(4,417)	(15,497)	(299)	–	(20,213)
At 31 December 2024	29,998	3,441	15,683	3,302	–	52,424
CARRYING VALUES						
At 31 December 2024	104,795	15,253	37,450	3,861	26,508	187,867
At 31 December 2023	88,911	–	17,069	4,489	104,113	214,582

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Leasehold improvement	20%
Furniture and equipment	20%
Motor vehicles	20%

All the Group's buildings are located in the PRC with land use rights.

Details of property, plant and equipment pledged to secure bank borrowings are set out in note 30.

18. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2024			
Carrying amount	16,918	13,866	30,784
As at 31 December 2023			
Carrying amount	17,303	15,555	32,858
For the year ended 31 December 2024			
Depreciation charge	385	1,689	2,074
For the year ended 31 December 2023			
Depreciation charge	340	1,173	1,513

18. RIGHT-OF-USE ASSETS (Continued)

	2024 RMB'000	2023 RMB'000
Expenses relating to short-term leases	**1,505**	897
Total cash outflow for leases	**1,996**	2,412
Additions to right-of-use assets		
– Other additions	**–**	15,804

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of 2 years to 9 years (2023: 2 years to 9 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns office buildings and a construction in progress for industrial buildings where its manufacturing facilities will be primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately because the payments made can be allocated reliably.

The Group regularly entered into short-term leases for motor vehicles. As at 31 December 2024 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, lease liabilities of RMB12,802,000 are recognised with related right-of-use assets of RMB13,866,000 as at 31 December 2024 (2023: lease liabilities of RMB14,049,000 are recognised with related right-of-use assets of RMB15,555,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

For the year ended 31 December 2024

19. INTANGIBLE ASSETS

	Licenses and patents RMB'000
COST	
At 1 January 2023	52,501
Additions	65
Write-off	(168)
At 31 December 2023	52,398
Additions	222
Write-off	(2,396)
At 31 December 2024	50,224
ACCUMULATED AMORTISATION	
At 1 January 2023	15,453
Provided for the year	6,883
Elimination on write-off	(129)
At 31 December 2023	22,207
Provided for the year	7,626
Elimination on write-off	–
At 31 December 2024	29,833
CARRYING VALUES	
At 31 December 2024	20,391
At 31 December 2023	30,191

The above items intangible assets are amortised over their estimated useful lives, using the straight-line method, at the following rates per annum:

Licenses and patents	Over the contract period of no more than 20 years

20. INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**13,825**	14,194
Impairment loss on interests in associates	**(6,277)**	(6,277)
	7,548	7,917
Amount due from an associate	**40,171**	–
	47,719	7,917

Details of the Group's interests in associates are as follows:

Name of associates	Form of entity	Class of shares held	Principal activities	Place of incorporation and operation	Proportion of ownership interest (ordinary share) and voting power held by the Group	
					2024	2023
DMAX Co., Ltd ("DMAX")	Incorporated	Ordinary shares	Production zirconia-related dental products	Republic of Korea	**25%**	25%
Yuyue New Materials (Chongqing) Co., Ltd 渝悦新材料(重慶)有限公司 ("Yuyue") *(Note 1)*	Incorporated	Ordinary shares	Production of dental equipment and supplies	PRC	**37%**	37%
Chongqing Dimei Porcelain Dental Technology Co., Ltd 重慶迪美瓷口腔技術有限公司 ("Dimei") *(Note 2)*	Incorporated	Ordinary shares	Production of dental equipment and supplies	PRC	**20%**	–

Note 1: During the year ended 31 December 2023, the Group has established an associate, Yuyue, with other shareholders and owns 37% equity interests at Yuyue. Yuyue is engaged in production of medical equipment and supplies. Pursuant to the investment agreement, the Group required to provide an unsecured and interest free loan not exceed RMB75,000,000 to the Yuyue that repayable not exceed 5 years. The purpose of the loan is to finance the development and daily operation of the Yuyue and the loan must be fully repaid to the Group before declare of any dividend. As at 31 December 2024, the balance of the loan amounted to RMB43,105,000 (2023: nil). The Group recognised the discounting impact of the interest free loan to Yuyue of approximately RMBRMB2,934,000 as the deemed investment cost. An impairment assessment for the loan commitment is performed at each reporting date by considering the probability of default and expected credit losses are estimated by reference to the market yield of relevant healthcare & pharmaceuticals debt securities. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The financial assets included in the balances were categorized in stage 1 at the end of the reporting period. The directors of the Company considered that the impairment of the loan is immaterial.

Note 2: During the year ended 31 December 2024, the Group has established an associate, Dimei, with other shareholders and owns 20% equity interest at Dimei. Dimei is engaged in production of dental equipment and supplies but yet to commence its operation at 31 December 2024.

20. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs.

The material associate accounted for using the equity method in the consolidated financial statements.

DMAX

	2024 RMB'000	2023 RMB'000
Non-current assets	16,609	23,066
Current assets	30,914	58,505
Non-current liabilities	23,559	22,280
Current liabilities	3,616	36,147

	2024 RMB'000	2023 RMB'000
Revenue	37,143	39,079
Total comprehensive expense for the year	460	(982)

Reconciliation of the above summarised financial information to the carrying amount of the interest in DMAX recognised in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Net assets of the associate	20,348	23,144
Proportion of the Group's ownership interest in DMAX	5,087	5,786
Goodwill	8,320	8,110
Impairment	(6,277)	(6,277)
Carrying amount of the Group's interest in DMAX	7,130	7,619

20. INTERESTS IN ASSOCIATES (Continued)

Information of associate that is not individually material

	2024 RMB'000	2023 RMB'000
The Group's share of loss from continuing operations	**(3,173)**	(71)
The Group's share of total comprehensive expense	**(3,169)**	(71)
Carrying amount of the Group's interests in the associate	**418**	298

21. FINANCIAL ASSETS AT FVTOCI

	2024 RMB'000	2023 RMB'000 (Restated)
Listed investments:		
– Equity securities listed in Australia *(Note 1)*	**81,234**	67,307
– Equity securities listed in the United States *(Note 2)*	**–**	214
Unlisted investments:		
– Ke Rui Si *(Note 3)*	**29,157**	–
	110,391	67,521

Note 1: The amount represents equity investment in 2.27% (FY2023: 9.52%) ordinary shares of Paragon Care Limited ("Paragon").

As at 31 December 2024, 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") 18,024,000 (equivalent to RMB81,234,000) based on the quoted market price available on the Australian Securities Exchange.

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.

Note 2: The equity investment was fully disposal during the year and loss on disposal of approximately RMB5 million recognised in other comprehensive income.

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.

Note 3: The amount represents equity investment in 10% equity shares of Ke Rui Si Medical Technology (Shanghai) Co., Ltd ("Ke Rui Si"), a private company that engaged in medical technology production.

21. FINANCIAL ASSETS AT FVTOCI (Continued)

The Directors had elected to designate the above investments in financial assets 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.

22. DEFERRED TAX

	2024 RMB'000	2023 RMB'000 (Restated)
Deferred tax assets	**7,989**	2,268
Deferred tax liabilities	**(16,396)**	(16,280)
	(8,407)	(14,012)

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years ended 31 December 2024 and 2023:

	ECL provision and inventories write-down RMB'000	**Unrealised profit on inventories** RMB'000	**Accrued marketing service fee** RMB'000	**Undistributed profit of subsidiaries** RMB'000	**Deferred income** RMB'000	**Financial assets at FVTPL** RMB'000 (Restated)	**Total** RMB'000
At 1 January 2023 (Restated)	798	148	7,652	(8,000)	(10,900)	(5,825)	(16,127)
(Charge) credit to profit or loss for the year	231	563	(7,124)	5,000	545	2,900	2,115
At 31 December 2023 (Restated)	1,029	711	528	(3,000)	(10,355)	(2,925)	(14,012)
(Charge) credit to profit or loss for the year	535	2,073	3,113	(269)	545	(392)	5,605
At 31 December 2024	1,564	2,784	3,641	(3,269)	(9,810)	(3,317)	(8,407)

22. DEFERRED TAX (Continued)

The Group has unused tax losses of RMB71,773,000 (2023: RMB46,798,000) as at 31 December 2024 which is 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. Except for the unrecognised tax losses with no time limits of RMB6,952,000 (2023: RMB6,575,000), pursuant to the relevant laws and regulations, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2024 RMB'000	2023 RMB'000
2024	**–**	2,726
2025	**1,785**	2,240
2026	**5,969**	6,085
2027	**13,509**	14,384
2028	**14,787**	14,788
2029	**28,771**	–
	64,821	40,223

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The PRC withholding tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident group entities shall be subject to the withholding income tax at 5% (2023: 5%), if applicable. As at 31 December 2024, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries amounted to RMB650,668,000 (2023: RMB605,552,000). Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB734,782,000 (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.

23. GOODWILL

	RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	6,213
Impairment during the year	(6,213)
At 31 December 2024	–

	2024 RMB'000	2023 RMB'000
At 31 December		
Cost	**6,213**	6,213
Accumulated impairment	**(6,213)**	–
	–	6,213

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to metal finishing services cash generating units ("CGU") for impairment testing.

During the year ended 31 December 2024, the production technology delays result in delays in products launch, thus had an adverse impact on the projected value in use of the operation concerned and consequently resulted in impairment. An impairment loss of approximately RMB6,213,000 was recognised on goodwill.

The recoverable amounts of the metal finishing services CGU have been determined based on a value in use calculations using cash flow projections covering a five-year period. The following describes each key assumption on which management has based its cash flow projects to undertake impairment testing of goodwill.

The cash flow projections beyond the 5 years period are extrapolated using a growth rate as 2% (FY2023: 2%).

The discount rate of 14.80% (FY2023: 16.20%) used is pre-tax and reflect specific risk relating to the relevant units.

The Group started the trial run in October 2024 and RMB687,000 was recognised in other income during the year ended 31 December 2024 (2023: nil).

24. INVENTORIES

All inventories represented finished goods of pharmaceutical products and medical devices. As at 31 December 2024, inventories included goods in transit of RMB62,930,000 (2023: RMB43,830,000).

During the year ended 31 December 2024, write-down of inventories of RMB4,659,000 (2023: write-down of RMB1,129,000) has been recognised by the Group and included in cost of sales.

25. TRADE AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Prepayments for technique know-hows *(Note 1)*	**76,405**	13,600
Prepayments for acquisition of property, plant and equipment	**–**	7,126
Non-current portion	**76,405**	20,726
Trade and bills receivables *(Note 2)*	**339,099**	450,702
Less: Allowance for credit losses *(Note 39(b))*	**(2,032)**	(2,284)
	337,067	448,418
Other receivables *(Note 3)*	**55,266**	6,657
Amount due from a related party *(Note 4)*	**18,550**	–
Prepayments	**27,676**	9,345
Deposits	**21,381**	23,617
	459,940	488,037
Advance payment to suppliers	**10,867**	10,567
Other tax recoverable	**31,518**	39,971
Current portion	**502,325**	538,575

Note 1: The amount represented prepayment to acquire intellectual property rights from Q3 Medical Devices Limited ("Q3 Medical"). The amount is recognised by the Group as a prepayment because the Group has yet to obtain control in the intellectual property rights according to IAS 38 Intangible Assets taking into consideration that pursuant to the transfer agreement, Q3 Medical has the right to exercise its buyback rights on the intellectual property rights within three years. In such case, Q3 Medical shall refund all costs paid by the Company and plus a premium ranged from 30%-80%. The consideration for the acquisition of intellectual property rights is referenced to the valuation prepared by the independent third-party valuer. The Company planned to establish factories in the PRC to research and develop, produce and sell the products under this intellectual property rights.

Note 2: 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.

There is a certain concentration of credit risk. Further details on the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 39. The business model of the Group related to the bills receivable is "hold to collect".

Note 3: Included in other receivables of approximately RMB37,418,000 at 31 December 2024 (FY2023: nil) was loans to independent third parties which are unsecured, bearing interest at 5.8% per annum with contractual maturity date not exceeding 12 months after the reporting period. An impairment assessment for the loan commitment is performed at each reporting date by considering the probability of default and expected credit losses are estimated by reference to the market yield of relevant healthcare & pharmaceuticals debt securities. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The financial assets included in the balances were categorized in stage 1 at the end of the reporting period. The directors of the Company considered the impairment of the loans are immaterial.

Note 4: Amount due from a related party, Shenzhen Terra Maestro Technology Co., Ltd ("Terra Maestro"), is unsecured, bearing interest at 12% per annum with contractual maturity date not exceeding 12 months after the reporting period. Mr. Li Xinzhou is director in the Terra Maestro.

An impairment assessment for the loan commitment is performed at each reporting date by considering the probability of default and expected credit losses are estimated by reference to the market yield of relevant debt securities. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The financial assets included in the balances were categorized in stage 1 at the end of the reporting period.

The directors of the Company considered the impairment of the advance is immaterial.

25. TRADE AND OTHER RECEIVABLES (Continued)

Included in trade and bills receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of reporting period, which approximated the respective revenue recognition dates:

	2024 RMB'000	2023 RMB'000
0 to 60 days	171,708	338,391
61 days to 180 days	122,118	91,581
181 days to 1 year	34,119	15,820
More than 1 year	9,122	2,626
	337,067	448,418

As at 31 December 2024, total bills received amounting to RMB13,920,000 (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 one year.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,031,000 (2023: RMB22,566,000) which are past due as at the reporting date. Out of the past due balances, RMB947,000 (2023: RMB2,048,000) 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 RMB13,920,000 (2023: RMB36,757,000), the Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables are set out in Note 39(b).

26. PLEDGED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

Pledged bank deposits

Pledged bank deposits carry fixed interest rate at 0.10% (2023: from 0.20% to 1.35%) per annum as at 31 December 2024. The Group's pledged bank deposits represent deposits pledged to banks to secure issue of letter of credit which are therefore classified as current assets. The deposits are to be released upon the settlement of relevant bank borrowings.

Cash and cash equivalents

Cash and cash equivalents include demand deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0% to 0.15% (2023: 0% to 1.65%). Bank balances and cash denominated of RMB92,178,000 are not freely convertible and the remittance of such funds out of the PRC is subject to exchange restrictions imposed by the PRC Government.

Details of impairment assessment of pledged bank deposits and cash and cash equivalents are set out in Note 39(b).

27. FINANCIAL ASSETS AT FVTPL

	2024 RMB'000	2023 RMB'000 (Restated)
Unlisted investments:		
– Structured bank deposits *(Note 1)*	–	10,000
Current portion	–	10,000
– Unlisted debt instruments		
– Investment in Shanghai Yuhan fund *(Note 2)*	30,486	33,700
– Investment in Jiaxing Yuhan fund *(Note 3)*	12,182	8,000
Non – current portion	42,668	41,700

Note 1: As at 31 December 2024, the structured deposit with bank in the PRC was matured. The structured bank deposits earn 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).

Note 2: The amount represents 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 Yuhan Fund"), which is incorporated in the PRC. The Shanghai Yuhan Fund specialises in making investment in various targets within the pharmaceutical industry. As at 31 December 2024, the Shanghai Yuhan Fund received contributions from its partners of approximately RMB149 million (2023: RMB155 million), among which the Group injected approximately RMB14.9 million (2023: RMB15.5 million) which accounted for 10% (2023: 10%) of the partners' capital of the Shanghai Yuhan Fund. The Shanghai Yuhan Fund invests in unlisted private entities and structured bank deposit. Fair value loss of approximately RMB2,614,000 (FY2023: Fair value loss of approximately RMB8,100,000) was recognised in profit or loss during the year ended 31 December 2024. Refer Note 39(c) for detail.

Note 3: The amount represents an investment in Jiaxing Yuhan fund (嘉興譽瀚股權投資合夥企業(有限合夥), the "Jiaxing Yuhan Fund"), which is incorporated in the PRC. The Jiangxi Yuhan Fund specialises in making investments in various targets within the pharmaceutical industry. As at 31 December 2024 and 31 December 2023, the Jiaxing Yuhan Fund received contributions from its partners of approximately RMB151 million, among which the Group injected approximately RMB10 million which accounted for 6.62% (31 December 2023: 6.62%) of the partners' capital of the Jiaxing Yuhan Fund. The Jiaxing Yuhan Fund invests in unlisted private entities and structured deposits. Fair value gain of approximately RMB4,182,000 (FY2023: Fair value loss of approximately RMB2,000,000) was recognised in profit or loss during the year ended 31 December 2024. Refer Note 39(c) for detail.

For the year ended 31 December 2024

28. TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	**120,479**	284,946
Payroll and welfare payables	**6,809**	4,911
Other tax payables	**1,534**	512
Accrued marketing service fee	**14,561**	3,451
Deposits received from distributors	**6,423**	10,895
Other payables to a third party (Note)	**–**	20,000
Other payables and accrued charges	**21,353**	13,515
	171,159	338,230

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:

	2024 RMB'000	2023 RMB'000
0 to 90 days	**111,253**	135,255
91 to 180 days	**3,184**	117,328
181 to 365 days	**893**	689
Over 365 days	**5,149**	31,674
	120,479	284,946

29. RELATED PARTIES DISCLOSURES

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

	2024 **RMB'000**	2023 RMB'000
Purchase of finished goods from DMAX	**3,502**	3,704
Prepayment for technique know-hows	**68,879**	13,600
Loan interests from Terra Maestro	**1,320**	–

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

	2024 **RMB'000**	2023 RMB'000
Non-trade in nature		
Amount due from an associate – non-current		
– Yuyue *(Note 20)*	**43,105**	–
Amount due from a related party – current		
– Terra Maestro *(Note 25)*	**18,550**	–
Amount due to a related party – current		
Mr. Li – current *(Note a)*	**4,419**	5,643
Trade in nature		
Amount due to an associate – current		
DMAX *(Note b)*	**86**	–

Notes:

(a) The balances as at 31 December 2024 and 2023 are unsecured, interest-free and repayable on demand.

(b) Amount represented trade payables for purchase of finished goods with credit term of 60 days and the balance was aged within 180 days.

29. RELATED PARTIES DISCLOSURES (Continued)

(c) Compensation of key management personnel

The remuneration of key management personnel during the year is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**8,939**	8,136
Retirement benefits scheme contributions	**909**	745
	9,848	8,881

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 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, whereas Mr. Li will provide the counter guarantee for the guarantee.

The guarantee framework agreement is valid for a term of three years and is effective from 22 December 2022 on which date the approval from independent shareholders is obtained at the extraordinary general meeting, among which, the counter guarantee takes effect on the same date as the guarantee.

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

30. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Carrying amount of bank borrowings repayable within one year and shown under current portion	**62,359**	59,971
Analysed as:		
Secured *(Note 1,2)*	**58,159**	59,971
Unsecured *(Note 2)*	**4,200**	–
	62,359	59,971

The effective interest rate on the Group's fixed rate borrowings are ranging from 1.78% to 4.10% per annum (2023: the fixed rate borrowings is 1.45% to 3.95% per annum).

Note 1:

As at 31 December 2024, bank borrowing totalling RMB58,159,000 (FY2023: RMB59,971,000) of the Group were secured by the following assets.

	2024 RMB'000	2023 RMB'000
Pledge of assets		
Pledged bank deposits for letter of credit	**6,451**	22,040
Financial assets at FVTPL	**–**	10,000
Property, plant and equipment	**17,801**	16,925
	24,252	48,965

Note 2:

As at 31 December 2024, all bank borrowing of the Group are guaranteed by the Company.

Note 3:

None of the Group's banking facilities (including bank borrowings) are subject to the fulfillment of financial covenants as at 31 December 2024.

For the year ended 31 December 2024

31. LEASE LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Lease liabilities payable:		
Within one year	**1,399**	1,301
Within a period of more than one year but not more than two years	**1,530**	1,382
Within a period of more than two year but not more than five years	**5,465**	4,970
Within a period of more than five years	**4,468**	6,396
	12,862	14,049
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,399)**	(1,301)
Amount due for settlement after 12 months shown under non-current liabilities	**11,463**	12,748

The weighted average incremented borrowing rate applied to lease liabilities range from 4.9% to 5% (2023: 4.9% to 5%).

32. CONTRACT LIABILITIES

	2024 **RMB'000**	2023 RMB'000
Advance from customers *(Note)*	**3,246**	20,280

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2024 **RMB'000**	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**20,280**	12,485

Note: The Group receives advance from customers pursuant to the terms of sales. The advance results in contract liabilities being recognised until the customer obtains control of the goods. The balance is expected to be recognised as revenue within one year.

33. DEFERRED INCOME

The amount represents the government grants received upon the Group fulfilled certain tax payment condition in the past to subsidies the cost of construction of its plant and equipment and do not include unfulfilled conditions. The condition to commence the recognition of the government grants is satisfied upon the completion of construction of the relevant assets by 31 December 2022. There is no unfulfilled conditions as at 31 December 2024. Certain portion of relevant assets was transferred from construction in progress to buildings during the year ended December 2022. The amount had started to release to profit or loss after the completion of construction of relevant assets during the year ended December 2022. The amount is released to other income over the useful lives of the relevant assets. This policy has resulted in a credit to other income in the current year of RMB2,180,000 (2023: RMB2,180,000). As at 31 December 2024, an amount of RMB39,240,000 (2023: RMB41,420,000) remains to be amortised.

34. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2024

In February 2024, the Group acquired 100% shares of Shanghai Ruijia Medical Equipment Limited (上海銳佳醫療器械有限公司) ("Shanghai Ruijia") and Shanghai Xinlang Medical Equipment Limited (上海鑫朗醫療器械有限公司) ("Shanghai Xinlang"), which are a company with limited liability incorporated in China and its principal activities are sales of medical equipment and supplies. Both companies are the customers of the Group before acquisition, they purchased medical equipment and sold to the ended customers. Management knows the customer base of both companies and intends to expand the customer bases through these acquisitions.

The transactions were completed in February 2024. Upon completion of the transactions, Shanghai Ruijia and Shanghai Xinlang became indirect subsidiaries of the Company. The acquisition has been accounted for as acquisition of business using the acquisition method.

Shanghai Ruijia

	RMB'000
Consideration	1,000

Assets and liabilities recognised at the date of acquisition

	RMB'000
Trade and other receivables	14,370
Inventories	1,386
Cash and cash equivalents	2,693
Trade and other payables	(17,449)
	1,000

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB14,370,000 at the date of acquisition had gross contractual amounts of RMB14,370,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

34. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2024 (Continued)

Net cash inflow arising on acquisition of Shanghai Ruijia

	RMB'000
Cash consideration	(1,000)
Less: Cash and cash equivalents acquired	2,693
	1,693

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB230,000 attributable to the additional business generated by Ruijia. Revenue for the year includes RMB26,000,000 generated from Ruijia.

Had the acquisition of Ruijia been completed on 1 January 2024, revenue for the year of the Group would have been RMB1,531,050,000, and profit for the year would have been RMB145,476,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed in 1 January 2024, nor is it intended to be a projection of future results.

Shanghai Xinlang

	RMB'000
Consideration	1,000

Assets and liabilities recognised at the date of acquisition

	RMB'000
Trade and other receivables	29,372
Inventories	375
Cash and cash equivalents	1,322
Trade and other payables	(30,069)
	1,000

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB29,372,000 at the date of acquisition had gross contractual amounts of RMB29,372,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

34. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2024 (Continued)

Net cash inflow arising on acquisition of Shanghai Xinlang

	RMB'000
Cash consideration	**(1,000)**
Less: Cash and cash equivalents acquired	**1,322**
	322

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB360,000 attributable to the additional business generated by Xinlang. Revenue for the year includes RMB48 million generated from Xinlang.

Had the acquisition of Xinlang been completed on 1 January 2024, revenue for the year of the Group would have been RMB1,531,737,000, and profit for the year would have been RMB145,476,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future results.

For the year ended 31 December 2023

On 22 September 2023, Xiantao Pioneer Medical Services Co. Ltd. ("Xiantao Pioneer"), a subsidiary of the Company and Yangpu Fuan logistics Co., Ltd ("Yangpu Fuan"), an independent third party, entered into a share transfer agreement, pursuant to which, Xiantao Pioneer intended to purchase 10% of the share of Weichang (Zhejiang) Supply Chain Management Co., Ltd ("微暢(浙江)供應鏈管理有限公司") ("Weichang") held by Yangpu Fuan for RMB1 million. On the same day, Xiantao Pioneer and Fengxin Xiuyuan Business Consulting Service Center ("Fengxin Xiuyuan"), an independent third party, entered into a share transfer agreement, pursuant to which, Xiantao Pioneer intended to purchase 90% of the share of Weichang held by Fengxin Xiuyuan for RMB9 million. Xiantao Pioneer intended to hold 100% equity in Weichang after completion of the transactions. Weichang is a company with limited liability incorporated in China and its principal activities are sales of medical equipment and supplies.

The transactions were completed on 22 September 2023. Upon completion of the transactions, Weichang became an indirect subsidiary of the Company. The acquisition has been accounted for as acquisition of business using the acquisition method.

	RMB'000
Consideration	10,000

34. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	155
Inventories	4,282
Trade and other receivables	46,961
Cash and cash equivalents	29,699
Trade and other payables	(71,097)
	10,000

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB46,961,000 at the date of acquisition had gross contractual amounts of RMB46,961,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

Net cash inflow arising on acquisition of Weichang

	RMB'000
Cash consideration	(10,000)
Less: Cash and cash equivalents acquired	29,699
	19,699

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB457,000 attributable to the additional business generated by Weichang. Revenue for the year includes RMB35,682,000 generated from Weichang.

Had the acquisition of Weichang been completed on 1 January 2023, revenue for the year of the Group would have been RMB1,681,636,000, and profit for the year would have been RMB136,219,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

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

34. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

On 1 November 2023, Pioneer Tiandao Medical Facilities Company Limited ("Pioneer Tiandao"), a subsidiary of the Company and Shanghai Kangling Business Service Co., Ltd ("Shanghai Kangling"), an independent third party, entered into a share transfer agreement, pursuant to which, Pioneer Tiandao intended to purchase 100% of the share of Shanghai Haobang Medical Equipment Co., LTD ("上海昊邦醫療器械有限公司") ("Haobang") held by Shanghai Kangling for RMB1 million. Haobang is a company with limited liability incorporated in China, with the principal activities of distribution of medical equipment and supplies.

The transaction was completed on 1 November 2023. Upon completion of the transaction, Haobang became an indirect subsidiary of the Company. The acquisition has been accounted for as acquisition of business using the acquisition method.

	RMB'000
Consideration	1,000

Assets and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	223
Inventories	644
Trade and other receivables	14,678
Cash and cash equivalents	1,057
Trade and other payables	(15,602)
	1,000

The receivables acquired (which principally comprised trade receivables) with a fair value of RMB14,678,000 at the date of acquisition had gross contractual amounts of RMB14,678,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

34. ACQUISITION OF SUBSIDIARIES (Continued)

For the year ended 31 December 2023 (Continued)

Net cash inflow arising on acquisition of Haobang

	RMB'000
Cash consideration	(1,000)
Less: Cash and cash equivalents acquired	1,057
	57

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB994,000 attributable to the additional business generated by Haobang. Revenue for the year includes RMB6,276,000 generated from Haobang.

Had the acquisition of Haobang been completed on 1 January 2023, revenue for the year of the Group would have been RMB1,608,292,000, and profit for the year would have been RMB130,278,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Haobang been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment assets based on the recognised amounts of property, plant and equipment at the date of the acquisition.

35. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$	Equivalent to RMB'000
Ordinary share of US$0.01 each			
Authorised			
At 1 January 2023, 31 December 2023 and 31 December 2024	3,000,000,000	30,000,000	82,096
Issued and fully paid			
At 1 January 2023, 31 December 2023 and 31 December 2024	1,257,447,000	12,574,470	77,399

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(a) General information of subsidiaries

At the end of each reporting period, the Company has direct and indirect equity interests in the following principal subsidiaries:

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group Direct %	Indirect %	Principal activities
Directly held						
Pioneer Pharma (Hong Kong) Co., Limited 先鋒醫藥(香港)有限公司	Hong Kong	19 February 2013	US$5,000,000	100	–	Investment holding
Indirectly held						
Xiantao Pioneer Medical Services Co. Ltd.*1 仙桃先鋒醫療服務有限公司	PRC	22 March 2013	US$1,000,000	–	100	Sales of pharmaceutical products and medical equipment and supplies
Xiantao Pioneer Pharma Co. Ltd.*2 仙桃市先鋒醫藥有限公司	PRC	31 July 2009	RMB10,000,000	–	100	Sales of pharmaceutical products
Naqu Area Pioneer Pharma Co., Ltd*2 那曲地區先鋒醫藥有限公司	PRC	31 July 2009	RMB8,000,000	–	100	Sales of imported in-licensed prescription products
Haikau Pioneer Pharma Leasing Company Limited*1 海口聚美醫療器械租賃有限公司	PRC	18 December 2013	RMB50,000,000	–	100	Sales of medical devices and ancillary tools and accessories leasing
Shandong Ruishi Medical Technology Co., Ltd.*2 山東瑞視醫療科技有限公司	PRC	2 March 2023	RMB1,800,000	–	67	Medical research and experimental development

For the year ended 31 December 2024

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group Direct %	Equity interest attributable to the Group Indirect %	Principal activities
Weichang (Zhejiang) Supply Chain Management Co., Ltd*2 微暢(浙江)供應鏈管理有限公司	PRC	20 May 2020	RMB10,000,000	–	100	Sales of medical equipment and supplies
Weichang (Zhejiang) Supply Chain Management Co., Ltd*2 微暢(浙江)供應鏈管理有限公司	PRC	20 May 2020	RMB10,000,000	–	100	Sales of medical equipment and supplies
Shanghai Haobang Medical Equipment Co., LTD*2 上海昊邦醫療器械有限公司	PRC	18 September 2009	RMB1,000,000	–	100	Sales of medical equipment and supplies
Chongqing Qianfeng Pharmaceutical Co., Ltd.*2 重慶乾鋒製藥有限公司	PRC	16 November 2018	RMB10,000,000	–	100	Production of pharmaceutical products and medical equipment and supplies
Chongqing Pioneer Pharma Co. Ltd*2 重慶先鋒醫藥有限公司	PRC	16 November 2018	RMB10,000,000	–	100	Sales of imported in-licensed prescription products
Chongqing Pu Dexi Dental Technology Co. Ltd*2 重慶樸德熙口腔技術有限公司	PRC	20 November 2019	RMB17,000,000	–	85	Sales of medical devices and research and development on denture and implants dentistry
Hunan Tiantong Environment Protection Co., Ltd*2 湖南天童電器有限公司	PRC	10 June 2019	RMB50,000,000	–	79.79	Provision of metal finishing services

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

(a) General information of subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid share/ registered capital	Equity interest attributable to the Group		Principal activities
				Direct %	Indirect %	
Hangzhou Tiantong Metal Surface Treatment Co. Ltd*2 杭州天童金屬表面處理有限公司	PRC	28 November 2022	RMB2,000,000	–	79.79	Provision of metal finishing services
Dalian Tiantong Metal Surface Treatment Co. Ltd*2, 4 大連天童金屬表面處理有限公司	PRC	15 July 2022	RMB5,000,000	–	79.79	Provision of metal finishing services
Chongqing Tiantong Metal Surface Treatment Co. Ltd*2 重慶天童金屬表面處理有限公司	PRC	31 March 2022	RMB5,000,000	–	79.79	Provision of metal finishing services

* The English name is for identification purpose only.

Notes:

1. Established in the PRC in the form of wholly foreign-owned enterprise.

2. Established in the PRC in the form of domestic companies with limited liabilities.

3. Those companies have been deregistered during the year.

4. The Group has control over this company as at 31 December 2022 through Hunan Tiantong as Hunan Tiantong holds more than 50% of the equity interest in this company.

None of the subsidiaries had issued any debt securities at the end of both years.

37. RETIREMENT BENEFITS SCHEMES

The Group's PRC subsidiaries are required to make contributions to the state-managed retirement schemes operated by respective local governments based on certain percentage of the monthly salaries of their current employees to fund the schemes. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The only obligation of these subsidiaries with respect to the state-managed schemes is to make the specified contributions.

The Group's employees employed in Hong Kong are required to join the Mandatory Provident Fund Schemes (the "MPF Scheme"). The Group's contributions to the MPF Scheme are made in accordance with the statutory limits prescribed by the Mandatory Provident Fund Schemes Ordinance of Hong Kong.

The total cost charged to profit or loss of RMB12,852,000 (2023: RMB12,511,000) for the year ended 31 December 2024, represents contributions paid to the retirement benefits scheme by the Group.

As at 31 December 2023 and 2024, there were no outstanding contributions to the state-managed retirement schemes and MPF Schemes.

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists net debt, which include lease liabilities, amounts due to related parties and bank borrowings as disclosed in notes 31, 29 and 30 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The Directors review the capital structure on a continuous basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 RMB'000	2023 RMB'000 (Restated)
Financial assets:		
FVTPL	**42,668**	51,700
FVTOCI	**110,391**	67,521
Amount due from an associate	**33,774**	–
Amortised cost	**553,155**	627,854
Financial liabilities:		
Amortised cost	**249,351**	391,685

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, financial assets at FVTOCI, pledged bank deposits, cash and cash equivalents, amount due from an associate, trade and other payables, amounts due to related parties, lease liabilities and bank borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group's exposure to foreign currency risk is arising mainly from certain bank balances denominated in foreign currency and certain foreign currency purchases and certain trade payables are denominated in foreign currencies.

At the end of the reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Assets		Liabilities	
	2024 RMB'000	2023 RMB'000	2024 RMB'000	2023 RMB'000
US$	**446**	31	**6,874**	36,294
EUR	**10,875**	13,957	**77,795**	67,885
HKD	**776**	362	**–**	–

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to US$, HKD and EUR. The following table details the Group's sensitivity to a 5% (2023: 5%) increase and decrease in US$, HKD and EUR against RMB5% (2023: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2023: 5%) change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in post-tax profit where US$, HKD and EUR weaken 5% (2023: 5%) against the functional currency. For a 5% (2023: 5%) strengthening of US$, HKD and EUR against the functional currency, there would be an equal and opposite impact on the profit and the balances below would be negative.

	US$ impact		HKD impact		EUR impact	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
Profit for the year	**241**	1,360	**(29)**	(14)	**2,510**	2,022

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate bank borrowings, lease liabilities and pledged bank deposits (see note 30 for details of the borrowings, note 31 for lease liabilities and note 26 for the pledged bank deposits). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 26 for bank balance).

No sensitivity is presented for variable-rate bank balances as the Directors considered that the impact from the relevant interest rate fluctuation is immaterial.

(iii) Other price risk

The Group is exposed to other price risk through its investments in listed equity securities at FVTOCI.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to price risk at the reporting date. As at 31 December 2024, if the prices of the financial assets at FVTOCI with fair value measurement categorised within Level 1 had been 5% higher/lower (2023: 5% higher/lower), the other comprehensive income for the year ended 31 December 2024 would increase/decrease by RMB3,046,000 (2023: increase/decrease by RMB2,532,000) as a result of the changes in fair value of financial assets at FVTOCI.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the settlement of certain trade receivables is backed by bills issued by reputable financial institutions.

In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade receivables individually for debtors with credit-impaired balance and on a collective basis for remaining debtors' balances. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonably available without undue cost or effort.

The Group measures the loss allowance on liquid funds (including gross carrying amount of pledged bank deposits of RMB6,451,000 (2023: RMB22,040,000) and gross carrying amount of cash and cash equivalents of RMB103,573,000 (2023: RMB114,427,000) equal to 12m ECL. Credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group measures the loss allowance on other receivables (gross carrying amount of RMB106,064,000 (2023: RMB51,906,000)) equals to 12m ECL. The Group considers there is a low risk of default and does not have any past-due amounts and no loss allowance has been made on these balances as at 31 December 2024 and 2023.

The Group has concentration of credit risk by individual customer as 10% (2023: 12%) of the total trade receivables as at 31 December 2024 were due from the Group's largest customer whereas 26% (2023: 29%) of the total trade receivables as at 31 December 2024 were due from the Group's five largest customers respectively.

The Group has concentration of credit risk by geographical location as majority of the customers are located in the PRC as at 31 December 2024 and 2023.

As part of the Group's credit risk management, trade receivables have been grouped based on shared credit risk characteristics. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis using provision matrix as at 31 December 2024 within lifetime ECL (not credit-impaired). Debtors which were credit-impaired with nil gross carrying amounts as at 31 December 2024 (2023: RMB nil) were assessed individually.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Gross carrying amount

	2024		2023	
	Average loss rate	Trade receivables RMB'000	Average loss rate	Trade receivables RMB'000
Share credit risk characteristics *(Note)*				
Group 1	Less than 0.5%	153,474	Less than 0.5%	281,189
Group 2	1%	169,510	1%	146,035
Group 3	2–3%	15,946	2–3%	21,857
Group 4	10–12%	169	10–12%	1,621
		339,099		450,702

Note: The Group has classified the trade receivables balance into different groupings based on the types of sales, types of debtors and size of operations which are considered to have shared credit risk characteristics and similar loss patterns.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2023	1,647	938	2,585
Changes due to financial instruments recognised on 1 January 2023			
– Transfer to credit-impaired	(287)	287	–
– Impairment losses reversed, net	(1,360)	(938)	(2,298)
– Write-offs	–	(287)	(287)
New financial assets originated	2,284	–	2,284
As at 31 December 2023	2,284	–	2,284
Changes due to financial instruments recognised on 1 January 2024			
– Impairment losses reversed, net	(2,284)	–	(2,284)
New financial assets originated	2,032	–	2,032
As at 31 December 2024	2,032	–	2,032

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Gross carrying amount (Continued)

Change in the loss allowance for trade receivables are mainly due to:

	2024 Increase (decrease) in life time ECL		2023 Increase (decrease) in life time ECL	
	Not credit-impaired RMB'000	Credit-impaired RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000
Trade debtors with a gross carrying amount of RMBnil (2023: RMB287,000) defaulted and transferred to credit-impaired	–	–	(287)	287
Settlement in full of trade debtors with gross carrying amount of RMB450,415,000 (2023: RMB414,801,000)	(2,284)	–	(1,647)	(938)
New trade receivables with gross carrying amount of RMB339,195,000 (2023: RMB450,415,000)	2,032	–	2,571	–

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over three years past due, whichever occurs earlier.

The Group rebuts the presumption of default under ECL for trade receivables over 90 days past due based on the strong financial position with good repayment records of those customers and continuous business relationship with the Group.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements.

39. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed maturity dates.

Liquidity tables

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year and less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2024							
Non-derivative financial liabilities							
Trade and other payables	–	171,159	–	–	–	171,159	171,159
Amounts due to related parties	–	4,505	–	–	–	4,505	4,505
Bank borrowings	2.71	63,192	–	–	–	63,192	62,359
Lease liabilities	4.99	492	1,485	10,807	4,375	17,159	12,862
		239,348	1,485	10,807	4,375	256,015	250,855

	Weighted average interest rate %	On demand or less than three months RMB'000	Three months to one year RMB'000	More than one year and less than five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2023							
Non-derivative financial liabilities							
Trade and other payables	–	306,071	20,000	–	–	326,071	326,071
Amounts due to related parties	–	5,643	–	–	–	5,643	5,643
Bank borrowings	2.71	60,561	–	–	–	60,561	59,971
Lease liabilities	4.99	22	1,988	8,474	7,046	17,530	14,049
		372,297	21,988	8,474	7,046	409,805	405,734

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements

Some 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 these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31.12.2024	31.12.2023				
1) Financial assets at FVTOCI *(Note 21)*	**2.27% equity investment in Paragon – RMB81,234,000**	9.52% equity investment in Paragon – RMB67,730,000	Level 1	Quoted bid prices in active market	Not applicable	
	–	1.39% equity investment in NovaBay – RMB214,000				
	10% equity investment in the Ke Rui Si RMB29,157,000	–		Latest transaction prices/ consideration for shares transfer in similar equity interest	Consideration due to timing, condition of sale and terms of agreement	The higher the value of similar transactions, the higher the valuation
					Change in the market capitalisation of the comparable companies	The higher the percentage change in the market capitalisation, the higher the valuation

For the year ended 31 December 2024

39. FINANCIAL INSTRUMENTS (Continued)
(c) Fair value measurements (Continued)

Financial asset	Fair value as at 31.12.2024	Fair value as at 31.12.2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
2) Financial assets at FVTPL *(Note 27)*	**–**	Structured bank deposits – RMB10,000,000	Level 3	Discounted cash flows	Expected yields of money market instruments and debt instruments invested by bank and a discount rate that reflects the credit risk of the bank, which is determined as nil (2023: 1.84%)	The higher the ratio of expected yields of money market instrument and debt instruments invested by bank, the higher the fair value of the financial assets The higher of the discount rate that reflects the credit risk of the bank, the lower the fair value of the financial assets
	10% equity investment in the Shanghai Yuhan Fund – RMB30,486,000	10% equity investment in the Shanghai Yuhan Fund – RMB33,700,000		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 and net profit from comparable companies is determined by the mean of comparable companies as at the valuation date	The higher the ratio of market capital to net book value from comparable companies, the higher the fair value of the financial assets
	6.62% equity investment in the Jiaxing Yuhan Fund – RMB12,182,000	6.62% equity investment in the Jiaxing Yuhan Fund – RMB8,000,000			Discount for lack of marketability taking into account the external valuer's estimate on the length of time and effort required by the management to dispose of the equity interest which is determined as 15% to 25% (2023: 15% to 25%)	The higher of the discount for lack of marketability, the lower the fair value of the financial assets

39. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements (Continued)

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Increase HK$'000	**Decrease** HK$'000
Market capitalization trend change	29,121	29,192
Price-to-earnings multiple	132,000	125,100
Recent transaction price	117,000	105,000

Unrealised fair value loss of RMB843,000 (2023: nil) included in other comprehensive income related to financial assets at FVTOCI of level 3 in the fair value hierarchy held at the end of the reporting period and is reported as changes of 'investments revaluation reserve'.

Reconciliation of level 3 fair value measurements of a financial asset

	Financial assets at FVOCI *(Note 21)* RMB'000 (Restated)	**Financial assets at FVTPL** *(Note 27)* RMB'000 (Restated)
At 1 January 2023 (Restated)	–	158,300
Capital distribution from an investment fund	–	(1,500)
Total gains to profit or loss	–	(8,211)
Total loss to other comprehensive income	–	–
Placement of financial assets at FVTPL	–	113,000
Withdrawal/redemption of financial assets at FVTPL	–	(209,889)
At 31 December 2023 (Restated)	–	51,700
Acquisition of an financial asset	30,000	–
Capital distribution from an investment fund	–	(600)
Total gains to profit or loss	–	1,568
Total loss to other comprehensive income	(843)	–
Withdrawal/redemption of financial assets at FVTPL	–	(10,000)
At 31 December 2024	29,157	42,668

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

40. SHARE AWARD SCHEME

The Company adopted the Scheme on the Adoption Date with a duration of 10 years commencing from the Adoption Date. The objective of the Scheme is to recognise the contribution by certain employees including directors and senior management of the Group (the "Selected Participants"), and to provide them with incentives in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Company has set up a trust (the "Share Award Scheme Trust") for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the employees of the Group. All the shares repurchased by the Group through the Share Award Scheme Trust in the Stock Exchange are recorded as treasury stock in the reserve and are for the Scheme only.

The Company will grant the shares under the treasury stock to the Selected Participants (the "Awarded Shares"), in which the Selected Participants will benefit by the appreciation of the shares over its award price on the grant date. The Awarded Shares will be vested in full in three years with one third to be vested on each of the first, the second and the third anniversary of the date of grant respectively.

In accordance with the terms and conditions of the Scheme, the Selected Participants are entitled to receive cash only (and not the Awarded Shares) upon vesting of the Awarded Shares, and should the Selected Participants elect to accept such vesting, the amount the Selected Participants receive would be equal to the number of the vested Award Shares multiply by the gain (being any positive amount resulting from the average sale proceeds less the award price) (the "Gain") and less any relevant personal income tax, if any.

Upon the vesting of the Awarded Shares, the Trustee shall effect the sale of such Awarded Shares at the prevailing market price and transfer the amount representing the Gain in relation to the vested Awarded Shares to the relevant Selected Participants. The proceeds (other than the Gain in relation to the vested Awarded Shares) shall be transferred to the Company or otherwise to be held in any way as determined by the Company (or the board) in its sole and absolute discretion.

The Trustee will not be obligated to transfer any money to the Selected Participant if the amount resulting from the average sale proceeds less the award price is a negative amount.

40. SHARE AWARD SCHEME (Continued)

During the year ended 31 December 2024, the Company repurchased its own ordinary shares through the Share Award Scheme Trust as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
January 2024	1,250,000	1.89	1.88	2,367
March 2024	600,000	1.87	1.87	1,129
April 2024	2,902,000	1.92	1.87	5,518
May 2024	1,314,000	2.05	1.90	2,629
June 2024	1,189,000	2.01	1.94	2,378
July 2024	1,643,000	2.09	1.90	3,395
August 2024	502,000	2.10	2.03	1,061
September 2024	1,215,000	2.09	2.04	2,518
October 2024	1,385,000	2.24	1.99	2,973
November 2024	1,582,000	2.29	2.00	3,475
December 2024	1,397,000	2.41	2.20	3,288
	14,979,000			30,731

The aggregate consideration paid of HKD30,731,000 is equivalent to RMB28,051,000.

During the year ended 31 December 2023, the Company repurchased its own ordinary shares through the Share Award Scheme Trust as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
		HKD	HKD	HKD'000
January 2023	1,300,000	2.39	2.26	3,056
March 2023	3,377,000	2.51	2.28	8,265
April 2023	2,548,000	2.54	2.46	6,392
May 2023	800,000	2.65	2.60	2,106
August 2023	300,000	2.24	2.24	676
September 2023	900,000	2.28	2.15	1,982
October 2023	600,000	2.14	1.95	1,226
November 2023	400,000	1.94	1.94	778
December 2023	616,000	1.92	1.87	1,166
	10,841,000			25,647

The aggregate consideration paid of HKD25,647,000 is equivalent to RMB22,727,000.

40. SHARE AWARD SCHEME (Continued)

As at 31 December 2024, the Share Award Scheme Trust held 98,071,000 treasury shares (2023: 83,092,000 treasury shares). All the Awarded Shares are remained at the Share Award Scheme Trust for the years ended 31 December 2024 and 2023.

As at 31 December 2024 and 2023, the Group has no liabilities and there is no expense charged during both years in respect of the cash-settled share-based payment.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Lease liabilities RMB'000	Bank borrowings RMB'000	Amount due to a related party RMB'000	Other payables to a third party RMB'000
At 1 January 2023	–	8,738	28,855	–	–
Financing cash flows	(77,503)	(1,515)	31,116	5,643	–
Dividends recognised as distribution	77,503	–	–	–	–
New lease entered into	–	15,804	–	–	–
Early termination of lease	–	(8,978)	–	–	–
At 31 December 2023	–	14,049	59,971	5,643	20,000
Financing cash flows	(77,936)	(1,187)	2,388	(1,138)	(20,000)
Dividends recognised as distribution	77,936	–	–	–	–
At 31 December 2024	–	12,862	62,359	4,505	–

42. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the prepayment for technique know-hows	–	70,733
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	683	6,703
	683	77,436

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES

	2024 RMB'000	2023 RMB'000
Non-current Asset		
Investment in a subsidiary	30,333	30,333
Amount due from a subsidiary	491,246	491,619
	521,579	521,952
Current Asset		
Amount due from a subsidiary	–	19,857
Amount due from related party	16	–
Cash and cash equivalents	689	170
	705	20,027
Current Liability		
Other payables	21,833	135
Net Current Assets	21,833	19,892
Total Assets less Current liabilities	500,451	541,844
Capital and Reserves		
Share capital	77,399	77,399
Reserves	423,052	464,445
Total Equity	500,451	541,844

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES (Continued)

Movement in Company's reserves

	Share premium RMB'000	Treasury share reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
At 1 January 2023	621,726	(202,099)	68,023	487,650
Profit and total comprehensive income for the year	–	–	77,025	77,025
Repurchase and cancellation of shares *(Note 40)*	–	(22,727)	–	(22,727)
Payments of dividends *(Note 16)*	–	–	(77,503)	(77,503)
At 31 December 2023	621,726	(224,826)	67,545	464,445
Profit and total comprehensive income for the year	–	–	64,594	64,594
Repurchase and cancellation of shares *(Note 40)*	–	(28,051)	–	(28,051)
Payments of dividends *(Note 16)*	–	–	(77,936)	(77,936)
At 31 December 2024	621,726	(252,877)	54,203	423,052

(a) Share Premium

Share premium represents amount subscribed for share capital in excess of par value.

(b) Other reserve

Other reserve represents the difference between the fair value of the consideration paid and the carrying value of the subsidiaries acquired and was recorded in the equity.

(c) Translation reserve

Exchange reserve represents gains/losses arising on retranslating the net assets of foreign operations into presentation currency.

(d) Statutory reserve

According to the relevant rules and regulations in the People's Republic of China ("PRC"), each of the Shanghai Pioneer Holding Ltd (the "Company")'s subsidiaries established in the PRC shall provide 10% of the annual profit after tax, based on the subsidiary's PRC statutory accounts, as a statutory reserve, until the balance reaches 50% of the respective subsidiary's registered capital.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVES (Continued)

(e) Treasury share reserve

For the year ended 31 December 2024, the Company paid an amount of RMB28,051,000 (2023: RMB22,727,000) to Bank of Communications Trustee Limited ("Trustee") to purchase the Company's existing shares of 14,979,000 (2023: 10,841,000) in the market pursuant to the Share Award Scheme (the "Scheme") made on 10 April 2015 ("Adoption Date") by the board of directors of the Company. As of 31 December 2024 and 2023, all the shares were held by the Trustee. For details please refer to note 40.

(f) Investments revaluation reserve

Investment revaluation reserve represents change in fair value of financial assets at fair value through other comprehensive income.

(g) Accumulated profits

Accumulated profits represent cumulative net gains and losses recognised in profit or loss.